

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended February 28, 2021
or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____
Commission file number 001-32959
AIRCASTLE LIMITED
(Exact name of Registrant as Specified in its Charter)

Bermuda
(State or other Jurisdiction of
Incorporation or organization)

98-0444035
(I.R.S. Employer
Identification No.)

c/o Aircastle Advisor LLC
201 Tresser Boulevard, Suite 400
Stamford
Connecticut
06901

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(203) 504-1020**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Shares, par value \$0.01 per share	N/A	NONE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the Registrant's Common Shares based upon the closing price on the New York Stock Exchange on August 31, 2020 (the last business day of registrant's most recently completed second fiscal quarter), beneficially owned by non-affiliates of the Registrant was \$0 because the Registrant's Common Shares were not publicly traded as of that date. For purposes of the foregoing calculation, which is required by Form 10-K, the Registrant has included in the shares owned by affiliates those shares owned by directors and executive officers and shareholders owning 10% or more of the outstanding common shares of the Registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

As of April 15, 2021, there were 14,048 outstanding shares of the registrant's common shares, par value \$0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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**SAFE HARBOR STATEMENT UNDER THE
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

All statements included or incorporated by reference in this Annual Report on Form 10-K (this “Annual Report”), other than characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not necessarily limited to, statements relating to our ability to acquire, sell, lease or finance aircraft, raise capital, and increase revenues, earnings, EBITDA and Adjusted EBITDA and the global aviation industry and aircraft leasing sector. Words such as “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “may,” “will,” “would,” “could,” “should,” “seeks,” “estimates” and variations on these words and similar expressions are intended to identify such forward-looking statements. These statements are based on our historical performance and that of our subsidiaries and on our current plans, estimates and expectations and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements; Aircastle can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any such forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this Annual Report. These risks or uncertainties include, but are not limited to, those described from time to time in Aircastle’s filings with the Securities and Exchange Commission (“SEC”), including as described in Item 1A, and elsewhere in this Annual Report. In addition, new risks and uncertainties emerge from time to time, and it is not possible for Aircastle to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this Annual Report. Aircastle expressly disclaims any obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

WEBSITE AND ACCESS TO COMPANY’S REPORTS

The Company’s Internet website can be found at www.aircastle.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website under “Investors — SEC Filings” as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

Statements and information concerning our status as a Passive Foreign Investment Company (“PFIC”) for U.S. taxpayers are also available free of charge through our website under “Investors — Tax Information (PFIC)”.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Board of Directors committee charters (including the charters of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee) are available free of charge through our website under “Investors — Corporate Governance”. In addition, our Code of Ethics for the Chief Executive and Senior Financial Officers, which applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer and Controller, is available in print, free of charge, to any shareholder upon request to Investor Relations, Aircastle Limited, c/o Aircastle Advisor LLC, 201 Tresser Boulevard, Suite 400, Stamford, Connecticut 06901.

The information on the Company’s website is not part of, or incorporated by reference, into this Annual Report, or any other report we file with, or furnish to, the SEC.

PART I
INTRODUCTION

ITEM 1. BUSINESS

Unless the context suggests otherwise, references in this Annual Report to “Aircastle,” the “Company,” “we,” “us,” or “our” refer to Aircastle Limited and its subsidiaries. References in this Annual Report to “Aircastle Bermuda” refer to Aircastle Holding Corporation Limited and its subsidiaries. Throughout this Annual Report, when we refer to our aircraft, we include aircraft that we have transferred into grantor trusts or similar entities for purposes of financing such assets through securitizations and term financings. These grantor trusts or similar entities are consolidated for purposes of our financial statements. All amounts in this Annual Report are expressed in U.S. dollars and the financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

Aircastle acquires, leases, and sells commercial jet aircraft to airlines throughout the world. As of February 28, 2021, we owned and managed on behalf of our joint venture 261 aircraft leased to 75 lessees located in 43 countries. Our aircraft are managed by an experienced team based in the United States, Ireland and Singapore. Our aircraft are subject to net leases whereby the lessee is generally responsible for maintaining the aircraft and paying operational, maintenance and insurance costs. However, in many cases we are obligated to pay a specified portion of maintenance or modification costs. As of February 28, 2021, the net book value of our flight equipment (including flight equipment held for lease and net investment in direct financing and sales-type leases, or “net book value”) was \$6.69 compared to \$7.79 billion at the end of 2019. Our revenues, net income (loss) and Adjusted EBITDA were \$832.3 million, \$(333.2) million, and \$774.4 million for the year ended February 28, 2021, and were \$917.9 million, \$156.6 million and \$862.2 million for the year ended December 31, 2019.

On March 27, 2020, the Company successfully completed its merger (the “Merger”) and is now controlled by affiliates of Marubeni Corporation and Mizuho Leasing Company, Limited (“Mizuho Leasing”). The Merger has not resulted in any change of the Company’s business strategy, and we believe the Company will benefit by having stable investors with a long-term investment horizon. We also may benefit by being affiliated with Mizuho Leasing, part of the Mizuho Financial Group, one of the largest Japanese financial institutions.

As previously disclosed, on September 30, 2020, the Company’s Board of Directors unanimously agreed to change the Company’s fiscal year end to the twelve-month period ended the last day in February. This change better aligns the Company’s financial reporting period with the financial reporting cycle of its shareholders, Marubeni Corporation and Mizuho Leasing.

Historically, growth in commercial air traffic has been correlated with world economic activity. Prior to the COVID-19 pandemic, in recent years commercial air traffic growth expanded at a rate 1.3 to 2 times that of global GDP growth. The expansion of air travel has driven the growth in the world aircraft fleet; there are approximately 24,000 commercial mainline passenger and freighter aircraft in the world fleet today. Aircraft leasing companies own approximately 47% of the world’s commercial jet aircraft. Under normal circumstances, we would expect the global fleet to continue expanding at a two to four percent average annual rate.

The COVID-19 crisis has had an unprecedented negative impact on the global economy, and in particular on the aviation sector. As a result of COVID-19, there has been a dramatic slowdown in air traffic, with some markets in near complete shutdown. While there have been some limited improvements in certain markets recently, according to IATA, as of February 2021, air travel was still down to approximately 30% of normal levels and a full recovery to pre-pandemic levels is not expected for several years. IATA estimates this situation will cost the airline industry over \$510 billion of lost revenue, a number which may be revised upwards. Substantially all of the world’s airlines are experiencing financial difficulties and liquidity challenges, including many of our customers. According to IATA, total net losses for the airline industry will reach \$126 billion in 2020 and \$48 billion in 2021. This could affect our lessees’ ability to fulfill their lease payment obligations to us. While we believe long-term demand for air travel will return to historical trends over time, the near-term impacts of the COVID-19 economic shock are material; the extent and duration of those impacts cannot currently be determined.

Airlines have been seeking to preserve liquidity by obtaining support from their respective governments, raising debt and equity, delaying or canceling new aircraft orders, furloughing employees, and requesting concessions from lessors. Some have sought judicial protection. We have agreed to defer lease payments with numerous airline customers,

which they are obligated to repay over time. As of April 15, 2021, we have agreed to defer \$108.4 million in near-term lease payments of which \$87.4 million are included in Accounts receivable or Other assets as of February 28, 2021. This represents approximately 17% of Lease rental and Direct financing and sales-type lease revenues for the twelve months ended February 28, 2021. These deferrals have been agreed to with 26 airlines, representing 35% of our customers, for an average deferral of five months of lease rentals. In a number of situations, we have agreed to broader restructurings of contractual terms, for example obtaining term extensions, better security packages or other valuable considerations in exchange for short-term economic concessions.

If air traffic continues to remain depressed over an extended period and if our customers are unable to obtain sufficient funds from private, governmental or other sources, we may need to grant additional deferrals to some of our customers or extend the period of repayment for deferrals we have already made. We may ultimately not be able to collect all the amounts we have deferred.

As of April 15, 2021, seven of our customers are subject to judicial insolvency proceedings or similar protection. We lease 23 aircraft to these customers, which comprise 14% of our net book value of flight equipment (including Flight equipment held for lease and Net investment in leases, or “net book value”) and 12% of our Lease rental and direct financing and sales-type lease revenue as of and for the year ended February 28, 2021. One of these customers is LATAM, our second largest customer, which represents 8% of our net book value of flight equipment and 6% of our Lease rental revenue as of and for the year ended February 28, 2021. Based on historic experience, the judicial process can take up to twelve to eighteen months to be resolved. We are actively engaged in these judicial proceedings to protect our economic interests. However, the outcome of these proceedings is uncertain and could result in these customers grounding our aircraft, negotiating reductions in aircraft lease rentals, rejecting their leases or taking other actions that could adversely impact us or the value of our aircraft. As a result of these proceedings, the recognition of lease rental revenue for certain customers may be done on a cash basis of accounting rather than the accrual method depending on the customers’ lease security arrangements.

We believe that our long-standing business strategy of maintaining conservative leverage, limiting long-term financial commitments and focusing our portfolio on more liquid narrow-body aircraft will enable us to manage through the COVID-19 crisis. Our portfolio of primarily mid-life, narrow-body aircraft should remain attractive relative to new technology aircraft due to their lower capital costs in an environment of tight airline margins and low fuel prices.

In addition, we believe that we have sufficient liquidity to meet our contractual obligations over the next twelve months and as of April 1, 2021, total liquidity of \$2.32 billion includes \$1.25 billion of undrawn credit facilities, \$609 million of unrestricted cash, \$123 million of contracted asset sales and \$340 million of projected operating cash flows through April 1, 2022. As of February 28, 2021, we have commitments to acquire 25 aircraft for \$825.1 million, excluding manufacturer credits, between 2021-2025.

We also believe our platform and personnel position us to effectively manage through the COVID-19 crisis and will enable us to take advantage of new investment opportunities when they arise. Our Company employs a team of experienced senior professionals with extensive industry and financial experience. Our leadership team members have an average of more than twenty years of relevant industry experience, including managing through prior downturns in the aviation industry, like the 2008 global financial crisis and the September 11, 2001 terror attacks.

Competitive Strengths

We believe that the following competitive strengths will allow us to capitalize on future growth opportunities in the global aviation industry:

- **Diversified Portfolio of Modern Aircraft:** We have a portfolio of modern aircraft that is diversified with respect to lessees, geographic markets, lease maturities and aircraft types. As of February 28, 2021, our owned and managed aircraft portfolio consisted of 261 aircraft, of a variety of types leased to 75 lessees located in 43 countries. Lease expirations for our owned aircraft are well dispersed, with a weighted-average remaining lease term of 4.2 years. This provides us with a long-dated base of contracted revenues. We believe our focus on portfolio diversification reduces the risks associated with individual lessee defaults and adverse geopolitical or economic issues, and results in generally predictable cash flows.
- **Flexible, Disciplined Acquisition Approach and Broad Investment Sourcing Network:** Our investment strategy is to seek out the best risk-adjusted return opportunities across the commercial jet market, so our acquisition targets vary with market opportunities. Since our formation, we have acquired 525 aircraft for

\$16.7 billion as of February 28, 2021. We source our acquisitions through well-established relationships with airlines, other aircraft lessors, manufacturers, financial institutions and other aircraft owners. Since our formation in 2004, we built our aircraft portfolio through more than 169 transactions with 95 counterparties as of February 28, 2021.

- **Significant Experience in Successfully Selling Aircraft Throughout Their Life Cycle:** Our team is adept at managing and executing the sale of aircraft. Since our formation, we have sold 259 aircraft to 80 buyers for \$6.1 billion as of February 28, 2021. These sales produced net gains of \$417.3 million and involved a wide range of aircraft types and buyers. Of these aircraft, 171, or 66%, were over fourteen years old at the time of sale; often being sold on a part-out disposition basis, where the airframe and engines may be sold to various buyers. We believe our competence in selling older aircraft is one of the capabilities that sets us apart from many of our competitors.
- **Strong Capital Raising Track Record and Access to a Wide Range of Financing Sources:** Since our inception in late 2004, we raised approximately \$1.7 billion in equity capital from private and public investors as of February 28, 2021. We maintain a strong, strategic relationship with Marubeni Corporation (“Marubeni”), which is one of our Controlling Shareholders (as defined below). We also obtained \$18.9 billion in debt capital from a variety of sources including the unsecured bond market, commercial banks, export credit agency-backed debt, and the aircraft securitization market. The diversity and global nature of our financing sources demonstrates our ability to adapt to changing market conditions and seize new opportunities.
- **Our Capital Structure Provides Investment Flexibility:** We have \$1.25 billion available from unsecured revolving credit facilities that expire in 2021 and 2022, thereby limiting our near-term financial markets exposure. Given our relatively limited future capital commitments, we have the resources to take advantage of future investment opportunities. Our large unencumbered asset base and our unsecured revolving lines of credit give us access to the unsecured bond market, which we expect will allow us to pursue a flexible and opportunistic investment strategy over the long-term.
- **Experienced Management Team with Significant Expertise:** Each member of our management team has more than twenty years of industry experience and we have expertise in the acquisition, leasing, financing, technical management, restructuring/repossession and sale of aviation assets. This experience spans several industry cycles and a wide range of business conditions and is global in nature. We believe our management team is highly qualified to manage and grow our aircraft portfolio and to address our long-term capital needs.
- **Global and Scalable Business Platform:** We operate through offices in the United States, Ireland and Singapore, using a modern asset management system designed specifically for aircraft operating lessors and capable of handling a significantly larger aircraft portfolio. We believe that our current facilities, systems and personnel are capable of supporting an increase in our revenue base and asset base without a proportional increase in overhead costs.

Business Strategy

Our traditional business approach is to continue to remain differentiated from those of other large leasing companies. The global disruption that occurred as a result of the COVID-19 crisis has required enhanced focus on diligent, proactive risk monitoring while continuing to pursue our core strategies. Our focus is to manage risk and secure liquidity while also planning to grow our business and profits over the long-term. By limiting long-term capital commitments and maintaining a conservative and flexible capital structure as we remain in this unprecedented situation, we seek to best position ourselves for investment opportunities in future periods of recovery.

Our business strategy entails the following elements:

- **Pursuing a disciplined and differentiated investment strategy.** In our view, the relative values of different aircraft change over time. We evaluate investments across different aircraft models, ages, lessees and acquisition sources and re-evaluate these choices as market conditions and relative investment values change. We believe our team’s experience with a wide range of asset types and the financing flexibility offered through unsecured debt provides us with a competitive advantage. In response to the COVID-19 pandemic, we have intentionally limited large, long-term capital commitments and are less reliant on orders for new aircraft from aircraft manufacturers as a source of new investments than many of our competitors. While our current posture is defensive given the macro situation, over the long-term we plan to grow our business and profits while maintaining a conservative, flexible capital structure.

- **Selling assets when attractive opportunities arise.** We sell assets with the aim of realizing profits and reinvesting proceeds. We also use asset sales for portfolio management purposes, such as reducing lessee specific concentrations and lowering residual value exposures to certain aircraft types.
- **Maintaining efficient access to capital from a wide set of sources and leveraging our recent investment grade credit rating.** We believe the aircraft investment market is influenced by the business cycle. Our strategy is to increase our purchase activity when prices are low and to emphasize asset sales when prices are high. To implement this approach, we believe it is important to maintain access to a wide variety of financing sources. During 2018, we improved our corporate credit ratings to an investment grade level by maintaining strong portfolio and capital structure metrics while achieving a critical size through accretive growth. We believe our investment grade rating not only reduces our borrowing costs, but also facilitates more reliable access to both unsecured and secured debt capital throughout the business cycle. There can be no assurance, however, that we will be able to access capital on a cost-effective basis and our failure to do so could have a material adverse effect on our business, financial condition or results of operations.
- **Leveraging our strategic relationships.** We intend to capture the benefits provided through the extensive global contacts and relationships maintained by our shareholders, Marubeni and Mizuho Leasing, which have enabled greater access to Japanese-based financing and helped source and develop our joint venture.
- **Capturing the value of our efficient operating platform and strong operating track record.** We believe our team’s capabilities in the global aircraft leasing market place us in a favorable position to explore new income-generating activities as capital becomes available for such activities. We intend to continue to focus our efforts on investment opportunities in areas where we believe we have competitive advantages and on transactions that offer attractive risk/return profiles.

Acquisitions and Sales

We originate acquisitions and sales through well-established relationships with airlines, other aircraft lessors, financial institutions and brokers, as well as other sources. We believe that sourcing such transactions globally through multiple channels provides for a broad and relatively consistent set of opportunities.

Our objective is to develop and maintain a diverse operating lease portfolio. We review our operating lease portfolio to sell aircraft opportunistically, to manage our portfolio diversification and to exit from aircraft investments when we believe selling will achieve better expected risk-adjusted cash flows than reinvesting in and re-leasing the aircraft. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Acquisitions and Sales.”

We have an experienced acquisition and sales team based in Stamford, Connecticut; Dublin, Ireland; and Singapore that maintains strong relationships with a wide variety of market participants throughout the world. We believe that our seasoned personnel and extensive industry contacts facilitate our access to acquisition and sales opportunities and that our strong operating track record facilitates our access to debt and equity capital markets.

Potential investments and sales are evaluated by teams comprised of marketing, technical, risk management, finance and legal professionals. These teams consider a variety of aspects before we commit to purchase or sell an aircraft, including price, specification/configuration, age, condition and maintenance history, operating efficiency, lease terms, financial condition and liquidity of the lessee, jurisdiction, industry trends and future redeployment potential and values. We believe that utilizing a cross-functional team of experts to consider investment parameters helps us assess more completely the overall risk and return profile of potential acquisitions and helps us move forward expeditiously on letters of intent and acquisition documentation.

Finance

We believe that cash on hand, payments received from lessees and other funds generated from operations, unsecured borrowings, borrowings from our revolving credit facilities, secured borrowings for aircraft, and other borrowings and proceeds from future aircraft sales will be sufficient to satisfy our liquidity and capital resource needs over the next twelve months. We may choose to repay all or a portion of such borrowings from time to time with the net proceeds from subsequent long-term debt financings, additional equity offerings or cash generated from operations and asset sales. Our ability to execute our business strategy, particularly the acquisition of additional commercial jet aircraft

or other aviation assets, depends to a significant degree on our ability to obtain additional debt and equity capital on terms we deem attractive.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Secured Debt Financings” and “ — Unsecured Debt Financings” under Item 7.

Segments

The Company manages, analyzes and reports on its business and results of operations on the basis of one operating segment: leasing, financing, selling and managing commercial flight equipment. Our chief executive officer is the chief operating decision maker.

Aircraft Leases

Our aircraft are net leases whereby we retain the benefit, and bear the risk, of re-leasing and of the residual value of the aircraft at the end of the lease. Leasing can be an attractive alternative to ownership for an airline because leasing increases an airline’s fleet flexibility, requires lower capital commitments, and significantly reduces aircraft residual value risks for the airline. Typically, the lessee agrees to lease an aircraft for a fixed term, although certain of our leases allow the lessee the option to extend the lease for an additional term or, in rare cases, terminate the lease prior to its expiration.

The scheduled maturities of our aircraft leases by aircraft type grouping currently are as follows, taking into account sales, sale agreements, lease placements and renewal commitments as of April 15, 2021, by fiscal year:

Aircraft Type	2021	2022	2023	2024	2025	2026	2027	2028	2029	2032	Off- Lease ⁽¹⁾	Sold or Sale Agreement	Total
A319/A320/A320neo/A321	8	11	28	39	20	8	2	7	7	2	6	15	153
A330-200/300	—	1	1	—	4	—	4	3	—	—	3	—	16
737-700/800/900ER	2	9	12	15	7	6	7	4	4	—	2	1	69
777-300ER	—	—	—	—	2	3	—	—	—	—	—	—	5
E195	—	—	—	3	—	—	—	1	—	—	—	—	4
Freighters	—	—	2	—	3	—	—	—	—	—	—	—	5
Total	10	21	43	57	36	17	13	15	11	2	11	16	252

(1) Consisted of four A320-200 aircraft, two Airbus A321-200 aircraft, three Airbus A330-200 aircraft and two Boeing 737-800 aircraft which we are marketing for lease or sale.

Fiscal Year 2021 Lease Expirations and Lease Placements

As of April 15, 2021, we have eleven off-lease aircraft and ten aircraft with leases expiring in fiscal 2021, which combined account for 8% of our net book value at February 28, 2021, still to be placed or sold.

Fiscal Year 2022-2025 Lease Expirations and Lease Placements

Taking into account lease and sale commitments, we currently have the following number of aircraft with lease expirations scheduled in fiscal years 2022-2025, representing the percentage of our net book value at February 28, 2021, specified below:

- 2022: 21 aircraft, representing 6%;
- 2023: 43 aircraft, representing 13%;
- 2024: 57 aircraft, representing 23%; and
- 2025: 36 aircraft, representing 16%.

Lease Payments and Security. Each of our leases requires the lessee to pay periodic rentals during the lease term. As of February 28, 2021, rentals on more than 97% of our leases, as a percentage of net book value, are fixed and do not

vary according to changes in interest rates. For the remaining leases, rentals are payable on a floating interest-rate basis. Virtually all lease rentals are payable monthly in advance, and all lease rentals are payable in U.S. dollars.

Under our leases, the lessee must pay operating expenses payable or accrued during the term of the lease, which normally include maintenance, overhaul, fuel, crew, landing, airport and navigation charges, certain taxes, licenses, consents and approvals, aircraft registration and insurance premiums. Typically, the lessee is required to make payments for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft. These maintenance payments are based on hours or cycles of utilization or on calendar time, depending upon the component, and are either made monthly in arrears or at the end of the lease term. Our determination of whether to permit a lessee to make a single maintenance payment at the end of the lease term, or to require such payments to be made monthly, depends on a variety of factors, including the creditworthiness of the lessee, the amount of security deposit which may be provided by the lessee and market conditions at the time. If a lessee is making monthly maintenance payments, we would typically be obligated to use the funds paid by the lessee during the lease term to reimburse the lessee for costs they incur for heavy maintenance, overhaul or replacement of certain high-value components, usually following completion of the relevant work. If a lease requires an end of lease maintenance payment, the lessee would typically be required to pay us for its utilization of the aircraft during the lease. In some cases, however, we may owe a net payment to the lessee in the event heavy maintenance is performed and the aircraft is returned to us in better condition than at lease inception.

Many of our leases also contain provisions requiring us to pay a portion of the cost of modifications to the aircraft performed by the lessee at its expense if such modifications are mandated by recognized airworthiness authorities. Typically, these provisions would set a threshold, below which the lessee would not have a right to seek reimbursement and above which we may be required to pay a portion of the cost incurred by the lessee. The lessees are obliged to remove liens on the aircraft other than liens permitted under the leases.

Our leases generally provide that the lessees' payment obligations are absolute and unconditional under any and all circumstances and require lessees to make payments without withholding payment on account of any amounts the lessor may owe the lessee or any claims the lessee may have against the lessor for any reason, except that under certain of the leases a breach of quiet enjoyment by the lessor may permit a lessee to withhold payment. The leases also generally include an obligation of the lessee to gross up payments under the lease where lease payments are subject to withholding and other taxes, although there may be some limitations to the gross up obligation, including provisions which do not require a lessee to gross up payments if the withholdings arise out of our ownership or tax structure. In addition, changes in law may result in the imposition of withholding and other taxes and charges that are not reimbursable by the lessee under the lease or that cannot be so reimbursed under applicable law. Our leases also generally require the lessee to indemnify the lessor for tax liabilities relating to the leases and the aircraft, including in most cases, value added tax and stamp duties, but excluding income tax or its equivalent imposed on the lessor.

Portfolio Risk Management

Our objective is to build and maintain a lease portfolio which is balanced and diversified and delivers returns commensurate with risk. We have portfolio concentration objectives to assist in portfolio risk management and highlight areas where action to mitigate risk may be appropriate, and take into account the following:

- individual lessee exposures;
- geographic concentrations;
- aircraft type concentrations;
- portfolio credit quality distribution; and
- lease maturity distribution.

We have a risk management team which undertakes detailed due diligence on lessees when aircraft are acquired with a lease already in place and for placement of aircraft with new lessees following lease expiration or termination.

Lease Management and Remarketing

Our aircraft re-leasing strategy is to develop opportunities proactively, well in advance of scheduled lease expiration, to enable consideration of a broad set of alternatives, including deployment, sale or part-out, and to allow for reconfiguration or maintenance lead times where needed. We also take a proactive approach to monitoring the credit quality of our customers, and may seek early return and redeployment of aircraft if we feel that a lessee is unlikely to

perform its obligations under a lease. We have invested significant resources in developing and implementing what we consider to be state-of-the-art lease management information systems and processes to enable efficient management of aircraft in our portfolio.

Other Aviation Assets and Alternative New Business Approaches

We believe investment opportunities may arise in related areas such as financing secured by commercial jet aircraft as well as jet engine and spare parts leasing, trading and financing. In the future, we may make opportunistic investments in these or other sectors or in other aviation-related assets, and we intend to continue to explore other income-generating activities and investments.

We source and service investments for our joint venture and provide marketing, asset management and administrative services to it. We are paid market based fees for these services, which are recorded in Other revenue in our Consolidated Statements of Income.

We believe we have a world class servicing platform and may also pursue opportunities to capitalize on these capabilities such as providing aircraft management services for third party aircraft owners.

Competition

The aircraft leasing and trading industry is highly competitive with a significant number of active participants. We face competition for the acquisition, placement and ultimately for the sale of aircraft. Competition for aircraft acquisitions comes from many sources, ranging from large established aircraft leasing companies to smaller players and new entrants. Competition has increased across most asset types and there has been a number of new investors in the market.

Larger lessors are generally more focused on acquiring new aircraft via direct orders with the original equipment manufacturers and through purchase and lease-back transactions with airlines. These larger lessors include AerCap Holdings, GE Capital Aviation Services, Air Lease Corporation, SMBC Aviation Capital, BOC Aviation, Avolon Holdings, Aviation Capital Group, Dubai Aerospace Enterprise, Industrial and Commercial Bank of China and China Development Bank. In March 2021, AerCap and General Electric announced an agreement where AerCap would take over GE Capital Aviation Services.

Competition for mid-aged and older aircraft typically comes from other competitors that, in many cases, rely on private equity or hedge fund capital sources. Such competitors include Carlyle Aviation Partners, Castlake, Merx Aviation and other players funded by alternative investment funds and companies. These companies are typically fund-based, rather than having permanent capital structures, and have benefited from the availability of debt financing for mid-aged aircraft. In March 2021 Carlyle Aviation Partners announced an agreement to purchase Fly Leasing Ltd.

Competition for leasing/re-leasing aircraft, as well as aircraft sales, is based principally upon the availability, type and condition of the aircraft, user base, lease rates, prices and other lease terms. Aircraft manufacturers, leasing companies, airlines and other operators, distributors, equipment managers, financial institutions and other parties engaged in leasing, managing, marketing or remarketing aircraft compete with us, although their focus may be on different market segments and aircraft types.

Some of our competitors have, or may obtain, greater financial resources and may have a lower cost of capital. A number also commit to speculative orders of new aircraft to be placed on operating lease upon delivery from the manufacturer, which compete with new and used aircraft offered by other lessors. However, we believe that we are able to compete favorably in aircraft acquisition, leasing and sales activities due to the reputation of our team of experienced professionals, extensive market contacts and expertise in sourcing and acquiring aircraft. We also believe our access to unsecured debt provides us with a competitive advantage in pursuing investments quickly and reliably and in acquiring aircraft in situations where it may be more difficult to finance on a secured, non-recourse basis.

Environmental, Social and Governance (“ESG”) and Human Capital

Our Culture

Our Company was formed in 2004 on the values of integrity, common decency and respect for others. These values continue to this day and are embodied in our Code of Business Conduct and Ethics, which has been adopted by the Board

of Directors of the Company to serve as a statement of principles to guide our decision-making and reinforce our commitment to these values in all aspects of our business. We believe that our commitment to our Company, our employees and the communities within which we operate has led to high employee satisfaction and low employee turnover, and our commitment to our customers and business partners has resulted in high customer satisfaction, as evidenced by long-time relationships with our customers and new/repeat transactions with our business partners.

We also take environmental and social issues seriously. We believe that our commitment to identifying and implementing positive environmental and social related business practices strengthens our Company, and better serves our customers, our communities and the broader environment within which we conduct our business.

Human Capital

As of February 28, 2021, we had 107 employees. None of our employees are covered by a collective bargaining agreement, and we believe that we maintain excellent employee relations.

We believe that our commitment to our employees is critical to our continued success, leading to high employee satisfaction and low employee turnover. To facilitate talent attraction and retention, we strive to have a diverse, inclusive and safe workplace, with opportunities for our employees to grow and develop in their careers, supported by strong compensation, benefits and health and wellness programs, and by programs that build connections between our employees and their communities. Each year, we review employee career development and succession planning internally and with our Compensation Committee.

During the COVID-19 pandemic, the health and safety of our employees, customers and business partners were and are of the highest priority for us, prompting us to put a comprehensive range of protective measures in place at an early stage of the pandemic. We have been able to successfully operate with most of our workforce working remotely. We expect to start to transition to having our employees return to our offices over time, although we will continue to monitor trends and local government regulations and guidelines, and may adjust our return to office plans accordingly to ensure the health and safety of our employees.

Our employees share our corporate values of integrity, common decency and respect of others, values which have been established since our Company was formed.

Insurance

We require our lessees to carry general third-party legal liability insurance, all-risk aircraft hull insurance (both with respect to the aircraft and with respect to each engine when not installed on our aircraft) and war-risk hull and legal liability insurance. We are named as an additional insured on liability insurance policies carried by our lessees, and we or one of our lenders would typically be designated as a loss payee in the event of a total loss of the aircraft. We maintain contingent hull and liability insurance coverage with respect to our aircraft which is intended to provide coverage for certain risks, including the risk of cancellation of the hull or liability insurance maintained by any of our lessees without notice to us, but which excludes coverage for other risks such as the risk of insolvency of the primary insurer or reinsurer.

We maintain insurance policies to cover non-aviation risks related to physical damage to our equipment and property, as well as with respect to third-party liabilities arising through the course of our normal business operations (other than aircraft operations). We also maintain limited business interruption insurance to cover a portion of the costs we would expect to incur in connection with a disruption to our main facilities, and we maintain directors' and officers' liability insurance providing coverage for liabilities related to the service of our directors, officers and certain employees. Consistent with industry practice, our insurance policies are generally subject to deductibles or self-retention amounts.

We believe the insurance coverage currently carried by our lessees and by Airastle provides adequate protection against the accident-related and other covered risks involved in the conduct of our business. However, there can be no assurance that we have adequately insured against all risks, that lessees will at all times comply with their obligations to maintain insurance, that our lessees' insurers and re-insurers will be or will remain solvent and able to satisfy any claims, that any particular claim will ultimately be paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

Government Regulation

The air transportation industry is highly regulated, although Aircastle itself is generally not directly subject to most air transportation regulations as we do not operate aircraft. In contrast, our lessees are subject to extensive, direct regulation under the laws of the jurisdictions in which they are registered and where they operate. Such laws govern, among other things, the registration, operation, security, and maintenance of our aircraft, environmental issues and the financial oversight of their operations.

Regulations regarding CO₂ emissions are changing and developing, particularly so in relation to the aviation sector, where there is an additional international angle to the regulation. The impact of COVID-19 on the airline sector has further complicated matters. Further regulatory changes are expected in the coming years.

Our customers may also be subject to noise regulations in the jurisdictions in which they operate our aircraft as well as other environmental regulations relating to discharges to surface and subsurface waters, management of hazardous substances, oils, and waste materials. See “Risk Factors — Risks Related to Our Aviation Assets — The effects of emissions and noise regulations and policies may negatively affect the airline industry. This may cause lessees to default on their lease payment obligations and may limit the market for certain aircraft in our portfolio” for more information.

Subsequent Events

The Company’s management has reviewed and evaluated all events or transactions for potential recognition and/or disclosure since the balance sheet date of February 28, 2021 through the date of this filing, the date on which the consolidated financial statements included in this Annual Report were issued.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Annual Report, you should carefully consider the following factors, which could materially adversely affect our business, financial condition, results of operations in future periods or our ability to meet our debt obligations. The risks described below are not the only risks facing our Company. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, results of operations.

Risk Related to Our Lessees

Risks affecting the airline industry may materially adversely affect our customers.

We operate as a supplier to airlines and are indirectly impacted by all the risks facing airlines today. The ability of lessees to perform their obligations under the relevant lease depends on the financial condition, which may be affected by factors beyond our control, including:

- passenger and air cargo demand, fare levels and air cargo rates;
- operating costs, including the price and availability of jet fuel, labor costs and insurance costs and coverages;
- restrictions in labor contracts and labor difficulties, including pilot shortages;
- availability of financing, including covenants in financings, terms imposed by credit card issuers, collateral posting requirements contained in hedging contracts and the ability of airlines to make or refinance principal payments;
- operating costs, including the price and availability of jet fuel, labor costs and insurance costs and coverages;
- restrictions in labor contracts and labor difficulties, including pilot shortages;
- economic conditions, including recession, financial system distress and currency fluctuations;
- aircraft accidents;
- the continuing availability of government support through subsidies, loans, guarantees, equity investments;
- changing political conditions, including risk of protectionism, travel restrictions, or trade barriers;
- geopolitical events, including war, terrorism, epidemic diseases (including the COVID-19 pandemic) and natural disasters;
- impact of climate change and emissions on demand for air travel;

- cyber risk, including information hacking, viruses and malware; and
- governmental regulation of, including noise regulations, emissions regulations, climate change initiatives, and aircraft age limitations.

These factors, and others, may lead to defaults by our customers, or may delay or prevent aircraft deliveries or transitions, result in payment restructurings or other lease term restructurings, and may increase our costs from repossessions and reduce our revenues due to downtime or lower re-lease rates.

Adverse currency movements could negatively affect our lessees' ability to honor the terms of their leases.

Many of our lessees are exposed to currency risk as they earn revenues in local currencies while a significant portion of their liabilities and expenses, including fuel, debt service, and lease payments are denominated in U.S. dollars. If the local currency is devalued, our lessees may not be able to increase revenue sufficiently to offset the impact of exchange rates on these expenses. Currency volatility, particularly in emerging markets, could impact the ability of customers to meet their contractual obligations in a timely manner. Shifts in foreign exchange rates can be significant, are difficult to predict, and can occur quickly.

Fuel prices significantly impact the profitability of the airline industry. If fuel prices rise in the future, our lessees might not be able to meet their lease payment obligations, which would have an adverse effect on our financial results.

Fuel costs represent a major expense to airlines and fluctuate widely. Airlines may not be able to successfully manage their exposure to fuel price fluctuations and significant changes would materially affect their operating results. Due to the competitive nature of the airline industry, airlines may not be able to pass on increases in fuel prices to their customers by increasing fares. Higher and more volatile fuel prices may also have an impact on consumer confidence and spending, and thus may adversely impact demand for air transportation. Fuel cost volatility may result in airlines being reluctant to make future commitments to leased aircraft and reduce the demand for lease aircraft.

The effects of terrorist attacks and geopolitical conditions might adversely impact the financial condition of the airlines and our lessees might not be able to meet their lease payment obligations.

War, armed hostilities or terrorist attacks, or the fear of such events, could decrease demand for air travel or increase the operating costs of our customers. Terrorist incidents and other international tensions may lead to: (i) higher costs due to the increased security measures; (ii) decreased passenger demand and revenue due to safety concerns or the inconvenience of additional security measures; (iii) higher price of jet fuel; (iv) higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, or at all; (v) higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available; and (vi) special charges recognized by some airlines, such as those related to the impairment of aircraft and other long lived assets stemming from the above conditions.

Terrorist attacks, war or armed hostilities, large protests or government instability, or the fear of such events, could negatively impact the airline industry and may have an adverse effect on the financial condition and liquidity of our lessees, aircraft values and rental rates and may lead to lease restructurings or aircraft repossessions, all of which could adversely affect our financial results.

Severe weather conditions, natural disasters or their perceived effects may negatively impact the airline industry and our lessees' ability to meet their lease payment obligations to us.

Demand for air travel or the inability of airlines to operate to or from certain regions due to severe weather conditions or natural disasters, such as floods, earthquakes or volcanic eruptions, could have an adverse effect on our lessees' ability to their lease payment obligations to us, which could negatively impact our financial results.

Lessee defaults could materially adversely affect our business, financial condition and results of operations.

Investors should expect a varying number of lessees to experience payment difficulties, particularly in difficult economic or operating environments. As a result of their financial condition and lack of liquidity, lessees may be significantly in arrears in their rental or maintenance payments. Liquidity issues are more likely to lead to airline failures in the periods of large air traffic declines, financial system distress, volatile fuel prices, and economic slowdown, with additional liquidity being more difficult and expensive to source. Given the size of our aircraft portfolio, we expect that from time to time some lessees will be slow in making, or will fail to make, their payments in full under their leases.

We may not correctly assess the credit risk of a lessee or that risk could change over time. We may not be able to charge risk-adjusted lease rates, and lessees may not be able to continue to perform their financial and other obligations under our leases in the future. A default, delay or deferral of payments from a lessee where we have a significant exposure could have a materially adverse impact on our ability to make payments on our indebtedness or to comply with debt service coverage or interest coverage ratios. We may experience some level of delinquency under our leases and default levels may increase over time. A lessee may experience periodic difficulties that are not financial in nature, which could impair its performance of maintenance obligations under the leases. These difficulties may include the failure to perform required aircraft maintenance and labor-management disagreements or disputes.

In the event that a lessee defaults under a lease, any security deposit paid or letter of credit provided by the lessee may not be sufficient to cover the lessee's outstanding or unpaid lease obligations and required maintenance and transition expenses.

Airline reorganizations could have an adverse effect on our financial results.

As a result of economic conditions, airlines may be forced to reorganize. Bankruptcies and reduced demand may lead to the grounding of significant numbers of aircraft and negotiated reductions in aircraft lease rental rates, with the effect of depressing aircraft market values. Additional grounded aircraft and lower market values would adversely affect our ability to sell certain of our aircraft on favorable terms, or at all, or re-lease other aircraft at favorable rates comparable to the then current market conditions, which collectively would have an adverse effect on our financial results. We may not recover any of our claims or damages against an airline under bankruptcy or insolvency protection.

If our lessees encounter financial difficulties and we decide to restructure our leases with those lessees, this could result in less favorable leases and in significant reductions in our cash flow.

When a lessee is late in making payments, fails to make payments in full or in part or has otherwise advised us that it will in the future fail to make payments in full or in part, we may elect to or be required to restructure the lease. Restructuring may involve anything from a simple rescheduling of payments to the termination of a lease without receiving all of the past due amounts. If requests for payment restructuring or rescheduling are granted, reduced or deferred rental payments may be payable over all or some part of the remaining term of the lease, and the terms of any revised payment schedules may be unfavorable or such payments may not be made. We may be unable to agree upon acceptable terms for any requested restructurings and as a result may be forced to exercise our remedies under those leases and we may be unable to repossess our aircraft on a timely basis. If we, in the exercise of our remedies, repossess the aircraft, we may not be able to re-lease the aircraft promptly at favorable rates, or at all.

The terms and conditions of payment restructurings or reschedulings, particularly involving lessees where we have significant exposure, may result in significant reductions of rental payments, which may adversely affect our cash flows or our financial results.

Significant costs resulting from lease defaults could have a material adverse effect on our business.

While we have the right to repossess the aircraft and to exercise other remedies upon a lessee default, repossession of an aircraft after a lessee default could lead to significant costs for us. Those costs include legal and other expenses of court or other governmental proceedings, particularly if the lessee is contesting the proceedings, and costs to obtain possession and/or deregistration of the aircraft and flight and export permissions. Delays resulting from these proceedings would increase the period of time during which the aircraft is not generating revenue. We may incur maintenance, refurbishment or repair costs that a defaulting lessee has failed to incur or pay and that are necessary to put the aircraft in suitable condition for re-lease or sale. We may be required to pay off liens, claims, taxes and other governmental charges to obtain clear possession and to remarket the aircraft for re-lease or sale. We may also incur maintenance, storage or other costs while we have physical possession of the aircraft.

We may suffer other adverse consequences due to a lessee default and the repossession of the aircraft. Our rights upon a lessee default vary significantly depending upon the jurisdiction, including the need to obtain a court order for repossession of the aircraft and/or consents for deregistration or re-export of the aircraft. When a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. Certain jurisdictions give rights to the trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third party, or entitle the lessee or another third party to retain possession of the aircraft without paying lease rentals or without performing all of the obligations under the lease. There can be no assurance that jurisdictions that have adopted

the Cape Town Convention, which provides for uniformity and certainty for repossession of aircraft, will enforce it as written. Certain of our lessees are owned in whole or in part by government-related entities, which could complicate our efforts to repossess the relevant aircraft. Accordingly, we may be delayed in, or prevented from, enforcing our rights under a lease and in re-leasing or selling the affected aircraft.

If we repossess an aircraft, we may not necessarily be able to export or deregister and redeploy the aircraft. When a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft is registered, repossession may be more difficult, especially if the jurisdiction permits the lessee or the other operator to resist deregistration. Significant costs may also be incurred in retrieving or recreating aircraft records required for registration of the aircraft and obtaining a certificate of airworthiness. A default and exercise of remedies involving a lessee where we have a significant exposure or concentration risk could have a materially adverse impact on our future revenue and cash flows.

If our lessees fail to appropriately discharge aircraft liens, we might find it necessary to pay such claims.

In the normal course of business, liens that secure the payment of airport fees and taxes, custom duties, air navigation charges (including charges imposed by Eurocontrol), landing charges, crew wages, repairer's charges, salvage or other liens, are likely, depending on the jurisdiction, to attach to the aircraft. These liens may secure substantial sums that may, in certain jurisdictions or for certain types of liens (particularly "fleet liens"), exceed the value of the relevant aircraft. Although the financial obligations relating to these liens are the responsibility of our lessees, if they fail to fulfill their obligations, these liens may attach to our aircraft and ultimately become our responsibility. Until these liens are discharged, we may be unable to repossess, re-lease or sell the aircraft or unable to avoid detention or forfeiture of the aircraft.

Our lessees may not comply with their obligations under their respective leases to discharge liens arising during the terms of their leases. If they do not do so, we may find it necessary to pay the claims secured by any liens in order to repossess the aircraft.

Risks associated with the concentration of our lessees in certain geographical regions could harm our business or financial results.

Our business is sensitive to local economic and political conditions that can influence the performance of lessees located in a particular region.

European Concentration

Thirty-one lessees in Europe accounted for 92 aircraft, totaling 27% of the net book value of our aircraft at February 28, 2021. Five lessees, accounting for 37 aircraft, are based in the U.K. The U.K. left the E.U. on January 31, 2020. The U.K.'s future relations with the E.U. are still evolving and could potentially negatively impact carriers based in the U.K. and to a lesser extent elsewhere in the E.U.

Asian Concentration

Twenty-three lessees in Asia accounted for 79 aircraft, totaling 37% of the net book value of our aircraft at February 28, 2021. Growth in Asia has been strong, driven in large part by Southeast Asia and India. Twelve lessees accounting for 36 aircraft are based in Southeast Asia and three lessees accounting for 22 aircraft are based in India. There is risk of oversupply in the future driven by large outstanding order books of certain Southeast Asian and Indian carriers as well as infrastructure constraints.

North American Concentration

Eight lessees in North America accounted for 28 aircraft, totaling 12% of the net book value of our aircraft at February 28, 2021. Consolidation in the U.S. has helped drive capacity discipline and increased pricing power.

South American Concentration

Seven lessees in South America accounted for 26 aircraft, totaling 13% of the net book value of our aircraft at February 28, 2021. One lessee in Chile accounted for thirteen aircraft, totaling 8% of the net book value of our aircraft at February 28, 2021.

Middle East and African Concentration

Seven lessees in the Middle East and Africa accounted for eleven aircraft, totaling 4% of the net book value of our aircraft at February 28, 2021.

Risks Related to Our Aviation Assets

The variability of supply and demand for aircraft could depress lease rates for our aircraft.

The aircraft leasing and sales industry has experienced periods of aircraft oversupply. The oversupply of a specific type of aircraft in the market is likely to depress aircraft lease rates for, and the value of, that type of aircraft. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are not under our control, including:

- passenger and air cargo demand;
- operating costs, including fuel costs, and general economic conditions affecting our lessees' operations;
- interest and foreign exchange rates, and the availability of credit;
- airline restructurings and bankruptcies;
- changes in control of, or restructurings of, other aircraft leasing companies;
- manufacturer production levels and technological innovation;
- new-entrant manufacturers, or existing manufacturers producing new aircraft models;
- geopolitical events, including war, prolonged armed conflict and acts of terrorism;
- governmental regulation, tariffs and other restrictions on trade;
- climate change initiatives, technological change, aircraft noise and emissions regulations, aircraft age limits and other factors leading to reduced demand for, early retirement or obsolescence of aircraft models;
- outbreaks of communicable diseases and natural disasters;
- reintroduction into service of aircraft previously in storage; and
- airport and air traffic control infrastructure constraints.

These and other factors may produce movements in aircraft values and lease rates, which would impact our cost of acquiring aircraft, or which may result in lease defaults or prevent aircraft from being re-leased or sold on favorable terms.

Other factors that could cause a decline in aircraft value and lease rates.

In addition to factors linked to the aviation industry generally, other factors that may affect the value and lease rates of our aircraft include:

- the age of the aircraft;
- the particular maintenance and operating history of the airframe and engines;
- the number of operators using that type of aircraft;
- whether the aircraft is subject to a lease and, if so, whether the lease terms are favorable to us;
- the demand for and availability of such aircraft;
- applicable airworthiness directives or manufacturer's service bulletins that have not yet been performed;
- grounding orders or other regulatory action that could prevent or limit utilization of our aircraft;
- regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased; and
- compatibility of our aircraft configurations or specifications with those desired by operators.

Any decrease in the values of and lease rates for commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on our financial results.

The advent of superior aircraft technology and higher production levels could cause our existing aircraft portfolio to become outdated and therefore less desirable.

As manufacturers introduce technological innovations and new types of aircraft, including the Boeing 787, the Airbus A350, the Airbus A220 and re-engined models of the Boeing 737, Boeing 777, Airbus A320, Airbus A330 and Embraer E-Jet families of aircraft, certain aircraft in our existing aircraft portfolio may become less desirable to potential lessees or purchasers. This next generation of aircraft generally delivers improved fuel consumption and reduced noise and emissions with lower operating costs compared to current-technology aircraft. The Boeing 787 and 737 MAX and the

Airbus A350, A320neo and A220 are all currently in production. The Boeing 777X is expected to enter service in 2023. The Commercial Aircraft Corporation of China Ltd., and Russia's United Aircraft Corporation are developing aircraft models that will compete with the Airbus A320 family aircraft, the Boeing 737 and the Embraer E-Jet. The introduction of these new models and the potential resulting overcapacity in aircraft supply, could adversely affect the residual values and the lease rates for our aircraft, our ability to lease or sell our aircraft on favorable terms, or at all.

The effects of emissions and noise regulations and policies may negatively affect the airline industry. This may cause lessees to default on their lease payment obligations and may limit the market for certain aircraft in our portfolio.

The U.S. and other jurisdictions have imposed limits on aircraft engine emissions, such as NO_x, CO and CO₂, consistent with current ICAO standards. In 2015, over 190 countries, including the United States, reached an agreement to reduce global GHG emissions at the United Nations Framework Convention on Climate. The agreement does not expressly reference aviation, but if the agreement is implemented in the United States and other countries there could be an adverse effect on the aviation industry.

European countries have relatively strict environmental regulations that can restrict operational flexibility and decrease aircraft productivity. The E.U. has included the aviation sector in its emissions trading scheme ("ETS") but its application to flights within the European Economic Area ("EEA") deferred any further application until 2024, pending a review of the results of a new initiative introduced by the promulgated by ICAO.

In October 2016, ICAO adopted a global market-based measure to control CO₂ emissions from international aviation. This measure is the "Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") with the aim of achieving carbon-neutral growth from 2020 onwards. The CORSIA pilot phase (2021-2023) and the CORSIA first phase (2024-2026) will apply only to routes between countries that have each volunteered to participate in the scheme. All airlines that operate routes between two volunteering countries will be subject to the offsetting requirements. The requirement to offset emissions will be divided among airlines in proportion to their total CO₂ emissions, which is referred to as the "sectoral" approach to emissions. From 2030 onwards, this sectoral approach will transition to an approach based on each airline's individual rate of growth.

Governmental regulations apply based on where the aircraft is registered and operated. Various jurisdictions have adopted noise regulations which require all aircraft to comply with noise level standards. The U.S. and ICAO have adopted a more stringent set of standards for noise levels which applies to engines manufactured or certified after January 1, 2006. Current U.S. regulations do not require the phase-out of aircraft that qualified with the older standards applicable prior to 2006. The E.U. has established a framework for the imposition of operating limitations on aircraft that do not comply with the new standards. These regulations could limit the economic life of the aircraft and engines, reduce their value, limit our ability to lease or sell these non-compliant aircraft and engines or, if engine modifications are permitted, require us to make investments in the aircraft and engines to make them compliant.

Over time, it is possible that governments will adopt additional regulatory requirements and/or market-based policies to reduce emissions and noise levels from aircraft. Such initiatives may be based on concerns regarding climate change, energy security, public health, local impacts, or other factors, and may impact the global market for certain aircraft and cause behavioral shifts that result in decreased demand for air travel. These concerns could result in limitations on the operation of our fleet, particularly aircraft equipped with older technology engines.

Compliance with current or future regulations could cause our lessees to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel and adverse impacts on the financial condition of our lessees. Such compliance may also affect our lessees' ability to make rental and other lease payments and limit the market for aircraft in our portfolio.

The older age of some of our aircraft may expose us to higher maintenance related expenses.

In general, the costs of operating an aircraft, including maintenance expenditures, increase with the age of the aircraft. Additionally, older aircraft typically are less fuel-efficient than newer aircraft and may be more difficult to re-lease or sell, particularly if, due to increasing production rates by aircraft manufacturers or airline insolvencies, older aircraft are competing with an excess of newer aircraft in the lease or sale market. Expenses like fuel, carbon charges, aging aircraft inspections, maintenance or modification programs and related airworthiness directives could make the operation of older aircraft less economically viable and may result in increased lessee defaults. We may also incur some of these increased maintenance expenses and regulatory costs upon acquisition or re-leasing of our aircraft. Re-leasing

larger wide-body aircraft may result in higher reinvestment and maintenance expenditures than re-leasing narrow-body aircraft.

The concentration of aircraft types in our aircraft portfolio could lead to adverse effects on our business should any difficulties specific to a particular type of aircraft occur.

Our portfolio is concentrated in certain aircraft types. Should any aircraft types or any aircraft manufacturers encounter technical, financial or other difficulties, it would cause a decrease in value of these aircraft, an inability to lease them on favorable terms or at all, or a potential grounding of these aircraft, which may adversely impact our financial results, to the extent the affected type comprises a significant percentage of our portfolio.

We operate in a highly competitive market for investment opportunities and for the leasing and sale of aircraft.

We compete with other lessors, airlines, aircraft manufacturers, financial institutions, aircraft brokers and other investors with respect to aircraft acquisitions, leasing and sales. The aircraft leasing industry is highly competitive and may be divided into three basic activities: (i) aircraft acquisition; (ii) leasing or re-leasing of aircraft; and (iii) aircraft sales.

A number of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances, lower investment return expectations or different risk or residual value assessments, which could allow them to consider a wider variety of investments, establish more relationships, bid more aggressively on aviation assets available for sale and offer lower lease rates or sales prices than we can. Some of our competitors may provide financial services, maintenance services or other inducements to potential lessees or buyers that we cannot provide. As a result of competitive pressures, we may not be able to take advantage of attractive investment opportunities, and we may not be able to identify and make investments that are consistent with our investment objectives. Additionally, the barriers to entry in the aircraft acquisition and leasing market are comparatively low, and new entrants appear from time to time. We may not be able to compete effectively against present and future competitors in the aircraft acquisition, leasing or sales market.

Our ability to lease our new Embraer E-Jet E2 aircraft on favorable terms, if at all, may be adversely affected by desirability of this aircraft type and risks to the commercial airline industry generally.

We have lease commitments for eighteen of the 25 Embraer E-Jet E2 aircraft that we contracted to purchase from Embraer and are scheduled for delivery between the first quarter of 2021 and the fourth quarter of 2025. We have not put financing in place for any of the Embraer E-Jet E2 aircraft deliveries. Our ability to lease these aircraft on favorable terms, if at all, may be adversely affected by desirability of this aircraft type. If we are unable to obtain commitments for the remaining deliveries or the necessary financing, if needed, or otherwise satisfy our contractual obligations to Embraer, we may be subject to several potential risks, including:

- forfeiting advance deposits and progress payments to Embraer, as well as incurring certain significant costs related to these commitments such as contractual damages and legal, accounting and financial advisory expenses;
- defaulting on any future lease commitments we may have entered into with respect to these aircraft, which could result in monetary damages and strained relationships with lessees; and
- failing to realize the benefits of purchasing and leasing such aircraft.

The Embraer E-Jet E2 is a new aircraft variant which first entered service in April 2018. Our purchase agreement with Embraer and the anticipated future leases for these aircraft contain certain cancellation rights related to delays in delivery. We rely on Embraer to return any advance deposits and progress payments if they are unable to meet their obligations to us, and we may not be able to recover such amounts if Embraer defaults or becomes insolvent. In April 2020, Boeing announced the termination of the previously announced strategic partnership with Embraer and said that it will no longer be proceeding with a transaction to acquire Embraer's commercial operations, including the E-Jet E2 aircraft line. Embraer remaining a stand-alone regional jet manufacturer may negatively impact the E-Jet E2 program.

The uncertainty relating to the Boeing 737 MAX groundings and the rate of Boeing's continued production could negatively impact our lessees' financial condition, lease rates, demand for other aircraft types and the value of the aircraft in our fleet.

In March 2019, as a result of two fatal accidents, airlines and regulators grounded the worldwide fleet of Boeing 737 MAX aircraft. Starting with the FAA in November 2020, these grounding notices have been progressively lifted in the U.S., E.U., Canada, Brazil and United Kingdom. Boeing has restarted production and begun to deliver aircraft previously produced but not delivered. The uncertainty surrounding the duration of the grounding in other jurisdictions such as China where it has not yet been lifted, and the rate of Boeing's continued production could negatively impact our lessees' financial condition, lease rates, demand for other aircraft types and the value of the aircraft in our fleet. A similar type of grounding for other aircraft types that we have in our fleet, or have commitments to purchase, could also negatively affect our financial results.

Risks Related to Our Leases

If lessees are unable to fund their maintenance obligations on our aircraft, we may incur increased costs at the conclusion of the applicable lease.

The standards of maintenance observed by lessees and the condition of the aircraft may affect the future values and rental rates for our aircraft.

Under our leases, the lessee is responsible for maintaining the aircraft and complying with all governmental requirements applicable to the lessee and the aircraft, including, without limitation, operational, maintenance, and registration requirements and airworthiness directives, although in certain cases we may agree to share certain of these costs. Failure of a lessee to perform required aircraft maintenance or required airworthiness directives could result in a decrease in value of such aircraft, an adverse effect on our ability to lease the aircraft at favorable rates or at all, or a potential grounding of such aircraft, and will likely require us to incur increased maintenance and modification costs upon the expiration or earlier termination of the applicable lease, which could be substantial, to restore such aircraft to an acceptable condition. If any of our aircraft are not subject to a lease, we would be required to bear the entire cost of maintaining that aircraft and performing any required airworthiness directives.

Certain of our leases provide that the lessee is required to make periodic payments to us during the lease term to provide reserves for major maintenance events. In these leases there is an associated liability for us to reimburse the lessee after such maintenance is performed. A substantial number of our leases do not provide for any periodic maintenance reserve payments to be made to us. Typically, these lessees are required to make payments at the end of the lease term. However, in the event such lessees default, the value of the aircraft could be negatively affected by the maintenance condition and we may be required to fund the entire cost of performing major maintenance on the relevant aircraft without having received compensating maintenance payments from these lessees.

Even if we receive maintenance payments, these payments may not cover the entire expense of the scheduled maintenance they are intended to fund. In addition, maintenance payments typically cover only certain scheduled maintenance requirements and do not cover all required maintenance and all scheduled maintenance. As a result, we may incur unanticipated or significant costs at the conclusion of a lease.

Failure to pay certain potential additional operating costs could result in the grounding or arrest of our aircraft and prevent the re-lease, sale or other use of our aircraft.

As in the case of maintenance costs, we may incur other operational costs upon a lessee default or where the terms of the lease require us to pay a portion of those costs. Such costs include:

- the costs of casualty, liability and political risk insurance and the liability costs or losses when insurance coverage has not been or cannot be obtained as required, or is insufficient in amount or scope;
- the costs of licensing, exporting or importing an aircraft, airport charges, customs duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions, which can be substantial;
- penalties and costs associated with the failure of lessees to keep aircraft registered under all appropriate local requirements or obtain required governmental licenses, consents and approvals; and

- carbon taxes or other fees, taxes or costs imposed under emissions limitations, climate change regulations or other initiatives.

The failure to pay certain of these costs can result in liens on the aircraft. The failure to register the aircraft can result in a loss of insurance. These matters could result in the grounding or arrest of the aircraft and prevent the re-lease, sale or other use of the aircraft until the problem is cured.

Our lessees may have inadequate insurance coverage or fail to fulfill their respective indemnity obligations, which could result in us not being covered for claims asserted against us.

By virtue of holding title to the aircraft, lessors may be held strictly liable for losses resulting from the operation of aircraft or may be held liable for those losses based on other legal theories. Liability may be placed on an aircraft lessor in certain jurisdictions even under circumstances in which the lessor is not directly controlling the operation of the aircraft.

Lessees are required under our leases to indemnify us for, and insure against, liabilities arising out of the use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Lessees are required to maintain public liability, property damage and hull all risk and hull war risk insurance on the aircraft at agreed upon levels. However, they are not generally required to maintain political risk insurance. Following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of insurance coverage available to airlines for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events. At the same time, they significantly increased the premiums for such third-party war risk and terrorism liability insurance and coverage in general. As a result, the amount of such third-party war risk and terrorism liability insurance that is commercially available at any time may be below the amount stipulated in our leases.

Our lessees' insurance, including any available governmental supplemental coverage, may not be sufficient to cover all types of claims that may be asserted against us. Any inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations will reduce the proceeds that would be received by us upon an event of loss under the respective leases or upon a claim under the relevant liability insurance.

Failure to obtain certain required licenses and approvals could negatively affect our ability to re-lease or sell aircraft.

A number of our lessees must obtain licenses, consents or approvals in order to import or operate the aircraft or comply with the leases. These include consents from governmental or regulatory authorities for certain payments under the leases and for the import, export or deregistration of the aircraft. Subsequent changes in applicable law or administrative practice may increase such requirements and a governmental consent, once given, might be withdrawn. Consents needed in connection with future re-leasing or sale of an aircraft may not be forthcoming. Any of these events could adversely affect our ability to re-lease or sell aircraft.

As many of our lessees operate in emerging markets, we are indirectly subject to the economic and political risks associated with such markets.

Emerging markets may be more vulnerable to economic and political problems, such as significant fluctuations in gross domestic product, interest and currency exchange rates, government instability, nationalization and expropriation of private assets, unfavorable legal systems, change in law regarding recognition of contracts or ownership rights, changes in governments or government policy and the imposition of taxes or other charges by governments. The occurrence of these events may adversely affect our ownership interest in an aircraft or the ability of our lessees to meet their lease obligations. For the year ended February 28, 2021, 57 of our lessees, which operated 148 aircraft and generated 61% of our lease rental revenue, are domiciled or habitually based in emerging markets.

Risks Related to Our Operations

The global impact of COVID-19 has significantly impacted, and could continue to significantly and adversely affect, our business, financial condition and results of operations.

The COVID-19 crisis has had an unprecedented negative impact on the global economy, and in particular on the aviation sector. There has been a dramatic slowdown in air traffic, with many markets in near complete shutdown. While recently there have been some limited improvements in certain markets, according to International Air Transport Association (the "IATA"), as of February 2021, air travel is still down to approximately 30% of normal levels and a full

recovery to pre-pandemic levels is not expected for several years. IATA estimates this situation will cost the airline industry over \$510 billion of lost revenue, a number which may be revised upwards. Substantially all of the world's airlines are experiencing financial difficulties and liquidity challenges, including many of our customers, and this could adversely affect our lessees' ability to fulfill their lease payment obligations to us. While we believe the long-term demand for air travel will return to historical trends over time, the near-term impacts of the COVID-19 economic shock are material; the extent and duration of those impacts cannot currently be determined.

Airlines have been seeking to preserve liquidity by obtaining support from their respective governments, raising debt and equity, delaying or canceling new aircraft orders, furloughing employees, and requesting concessions from lessors. Some have sought judicial protection. We have agreed to defer lease payments with numerous airline customers, which they are obligated to repay over time. As of April 15, 2021, we have agreed to defer \$108.4 million in near-term lease payments of which \$87.4 million are included in Accounts receivable or Other assets as of February 28, 2021. This represents approximately 17% of lease rental and direct financing and sales-type lease revenues for the twelve months ended February 28, 2021. These deferrals have been agreed to with 26 airlines, representing 35% of our customers, for an average deferral of five months of lease rentals. In a limited number of situations, we have agreed to broader restructurings of contractual terms, for example obtaining better security packages, term extensions, or other valuable considerations in exchange for short-term economic concessions.

If air traffic continues to remain depressed over an extended period and if our customers are unable to obtain sufficient funds from private, governmental or other sources, we may need to grant additional deferrals to some of our customers or extend the period of repayment for deferrals we have already made. We may ultimately not be able to collect all the amounts we have deferred.

As of April 15, 2021, seven of our customers are subject to judicial insolvency proceedings. We lease 23 aircraft to these customers, which comprise 14% of our net book value of flight equipment (including flight equipment held for lease and net investment in leases, or "net book value") and 12% of our lease rental revenue as of and for the year ended February 28, 2021. One of these customers is LATAM, our second largest customer, which represents 8% of our net book value of flight equipment and 6% of our lease rental revenue as of and for the year ended February 28, 2021. Based on historic experience, the judicial process can take up to twelve to eighteen months to be resolved. We are actively engaged in these judicial proceedings to protect our economic interests. However, the outcome of these proceedings is uncertain and could result in these customers grounding our aircraft, negotiating reductions in aircraft lease rentals, rejecting the leases or taking other actions that could adversely impact us or the value of our aircraft. As a result of these proceedings, the recognition of lease rental revenue for certain customers may be done on a cash basis of accounting rather than the accrual method depending on the customers lease security arrangements.

We believe we have sufficient liquidity to meet our contractual obligations over the next twelve months. as of April 1, 2021, total liquidity of \$2.32 billion includes \$1.25 billion of undrawn credit facilities, \$609 million of unrestricted cash, \$123 million of contracted asset sales and \$340 million of projected operating cash flows through April 1, 2022. See "Capitalization." As of February 28, 2021, we have commitments to acquire 25 aircraft for \$825.1 million, excluding manufacturer credits, between 2022-2026.

We believe that our long-standing business strategy of maintaining conservative leverage, limiting long-term financial commitments and focusing our portfolio on more liquid narrow-body aircraft will enable us to manage through the COVID-19 crisis. Our portfolio of mainly mid-life, narrow-body aircraft should remain attractive relative to new technology aircraft due to their lower capital costs in an environment of tight airline margins and low fuel prices.

We also believe our platform and personnel position us to effectively manage through the COVID-19 crisis and will enable us to take advantage of new investment opportunities when they arise. We employ a team of experienced senior professionals with extensive industry and financial experience. Our leadership team members have an average of more than twenty years of relevant industry experience, including managing through prior downturns in the aviation industry, like the 2008 global financial crisis and the September 11, 2001 terror attacks.

Volatile financial market conditions may adversely impact our liquidity, our access to capital and our cost of capital and may adversely impact the airline industry and the financial condition of our lessees.

The availability and pricing of capital in the commercial bank market and in the unsecured bond market remain susceptible to global events, including political changes, rising interest rates, currency fluctuations, the rate of international economic growth and implications from changes in oil prices. If we need, but cannot obtain, adequate

capital on satisfactory terms, or at all, as a result of negative conditions in the capital markets or otherwise, our business, financial condition, results of operations could be materially adversely affected.

We bear the risk of re-leasing and selling our aircraft.

We bear the risk of re-leasing or selling our aircraft in order to continue to generate cash flows. As only a portion of an aircraft's value is covered by contractual cash flows from leases, we are exposed to the risk that the residual value will not be sufficient to permit us to fully recover our investment and that we may have to record impairment charges. In certain cases we commit to purchase aircraft that are not subject to lease and therefore are subject to lease placement risk.

Other factors that may affect our ability to fully realize our investment in our aircraft and that may increase the likelihood of impairment charges include credit deterioration of a lessee, higher fuel prices which may reduce demand for older, less fuel efficient aircraft, additional environmental regulations, age restrictions, customer preferences and other factors that may effectively shorten the useful life of older aircraft.

We own and lease long-lived assets and have written down the value of some of our assets. If market conditions worsen, or in the event of a customer default, we may be required to record further write-downs.

We perform a recoverability assessment of all aircraft in our fleet, on an aircraft-by-aircraft basis annually. In addition, a recoverability assessment is performed whenever events or changes in circumstances indicate that the carrying amount or net book value of an asset may not be recoverable. Possible indicators include a significant lease restructuring or early lease termination, a significant change in aircraft model's storage levels, the introduction of newer technology aircraft or engines, an aircraft type that is no longer in production or significant airworthiness directive that is issued.

We are closely monitoring the impact of the COVID-19 pandemic on our customers, air traffic, lease rental rates, and aircraft valuations, and will perform additional customer and aircraft specific reviews should changes in facts and circumstances arise that may impact the recoverability of our aircraft. We will continue to focus on customers that have or may enter judicial insolvency proceedings, aircraft with near-term lease expirations, and certain aircraft variants that are more susceptible to the impact of COVID-19 and value deterioration.

The recoverability assessment is a comparison of the carrying value of each aircraft to its undiscounted expected future cash flows. We develop the assumptions used in the recoverability assessment, including those relating to current and future demand for each aircraft type, based on management's experience in the aircraft leasing industry, as well as information received from third-party sources. Estimates of the undiscounted cash flows for each aircraft type are impacted by changes in contracted and future expected lease rates, residual values, expected scrap values, economic conditions and other factors. If our estimates or assumptions change, we may revise our cash flow assumptions and record future impairment charges.

Our ability to obtain debt financing and our cost of debt financing is, in part, dependent upon our credit ratings and a credit downgrade or being put on negative watch could adversely impact our financial results.

Maintaining our credit ratings depends on our financial results and on other factors, including the outlook of the ratings agencies on our sector and on the market generally. A credit rating downgrade or being put on negative watch may make it more difficult or costly for us to raise debt financing in the unsecured bond market, or may result in higher pricing or less favorable terms under other financings. Credit rating downgrades or being put on negative watch, may make it more difficult and/or more costly to satisfy our funding requirements. Any future tightening or regulation of financial institutions could impact our ability to raise funds in the commercial bank loan market in the future.

An increase in our borrowing costs may adversely affect our earnings.

Some of our aircraft are financed under long-term debt financings. As these financings mature, we will be required to either refinance these instruments by entering into new financings, which could result in higher borrowing costs, or repay them by using cash on hand or cash from the sale of our assets.

Departure of key officers could harm our business and financial results.

Our senior management's reputations and relationships with lessees, sellers, buyers and financiers of aircraft are a critical element of our business. We encounter intense competition for qualified employees from other companies in the aircraft leasing industry, and we believe there are only a limited number of available qualified executives in our industry. The Company seeks to retain a pipeline of senior management personnel with superior talent to provide continuity of

succession, including for the Chief Executive Officer position and other senior positions. Our Board of Directors is involved in succession planning, including review of short- and long-term succession plans for senior positions. Our future success depends, to a significant extent, upon the continued service of our senior management personnel, including the Chief Executive Officer, and if we lose one or more of these individuals, our business could be adversely affected.

We are subject to risks related to our indebtedness that may limit our operational flexibility and our ability to compete with our competitors.

As of February 28, 2021, our total indebtedness was \$5.14 billion, representing 74.8% of our total capitalization. Aircastle Limited is either the principal obligor or has guaranteed most of this indebtedness, and we are responsible on a full recourse basis for timely payment when due and compliance with covenants under the related debt documentation. We may be unable to generate sufficient cash to pay, when due, the principal of, interest on or other amounts due with respect to our indebtedness, and our substantial amount of indebtedness may increase our vulnerability to adverse economic and industry conditions, reduce our flexibility in planning for or reaction to changes in the business environment or in our business or industry, and adversely affect our cash flow and our ability to operate our business and compete with our competitors. Our indebtedness subjects us to certain risks, including:

- 17.3% of our net book value serves as collateral for our secured indebtedness, and the terms of certain of our indebtedness require us to use proceeds from sales of certain aircraft, in part, to repay amounts outstanding under such indebtedness;
- our failure to comply with the terms of our indebtedness, including restrictive covenants, may result in additional interest being due or defaults that could result in the acceleration of the principal, and unpaid interest on, the defaulted debt, as well as the forfeiture of any aircraft pledged as collateral; and
- non-compliance with covenants prohibiting certain investments and other restricted payments, raise additional capital or refinance our existing debt, may reduce our operational flexibility and limit our ability to refinance.

The provisions of our long-term financings require us to comply with financial and other covenants. Our compliance with these ratios, tests and covenants depends upon, among other things, the timely receipt of lease payments from our lessees and upon our overall financial performance.

- *Senior Notes.* Our senior note indentures impose operating and financial restrictions on our activities. These restrictions limit our ability to, or in certain cases prohibit us from, incurring or guaranteeing additional indebtedness, refinancing our existing indebtedness, making other restricted payments, making certain investments or entering into joint ventures and a cross-default to certain other financings of the Company.
- *Bank Financings.* Our secured bank financings contain, among other customary provisions, a \$500 million minimum net worth covenant, a cross-default to certain other financings of the Company, and for one portfolio financing, a minimum debt service coverage ratio of 1.15.
- *Unsecured Revolving Credit Facilities and Loan.* Our unsecured revolving credit facilities/loan contain \$750 million minimum net worth covenants, minimum unencumbered asset ratios, minimum interest coverage ratios and cross-defaults to certain other financings of the Company.
- *ECA Financings.* Our ECA Financings contain a \$500 million minimum net worth covenant and also contain, among other customary provisions, a material adverse change default and a cross-default to certain other financings of the Company.

The terms of our financings also restrict our ability to incur or guarantee additional indebtedness or engage in mergers, amalgamations or consolidations among our subsidiary companies or between a subsidiary company and a third party or otherwise dispose of all or substantially all of our assets.

We are subject to various risks and requirements associated with transacting business in foreign jurisdictions.

The international nature of our business exposes us to trade and economic sanctions and other restrictions imposed by the U.S. and other governments. The U.S. Departments of Justice, Commerce and Treasury, as well as other agencies and authorities have a broad range of civil and criminal penalties, they may seek to impose against companies for violations of export controls, the Foreign Corrupt Practices Act (“FCPA”), and other federal statutes, sanctions and regulations, including those established by the Office of Foreign Assets Control (“OFAC”). Increasingly, similar or more restrictive foreign laws, rules and regulations, including the U.K. Bribery Act (“UKBA”), may also apply to us. By virtue of these laws and regulations, we may be obliged to limit our business activities, we may incur costs for compliance

programs and we may be subject to enforcement actions or penalties for noncompliance. In recent years, U.S. and foreign governments have increased their oversight and enforcement activities with respect to these laws, and we expect the relevant agencies to continue to increase these activities.

We have compliance policies and training programs in place for our employees with respect to FCPA, OFAC Regulations, UKBA and similar laws, but there can be no assurance that our employees, consultants or agents will not engage in conduct for which we may be held responsible. Violations of FCPA, OFAC Regulations, UKBA and other laws, sanctions or regulations may result in severe criminal or civil penalties, and we may be subject to other liabilities.

The General Data Protection Regulation (“GDPR”) that took effect in May 2018, requires us to protect certain personal data of E.U. citizens. While we have implemented processes and controls to comply with GDPR requirements, the manner in which the E.U. will interpret and enforce certain provisions remains unclear and we could incur significant fines of up to 4% of worldwide revenue, individual damages and reputational risks if the E.U. determines that our controls and processes are ineffective and we have failed to adequately comply with the requirements.

We are dependent upon information technology systems, which are subject to disruption, damage, failure and risks associated with implementation and integration.

We are dependent upon information technology systems to manage, process, store and transmit information associated with our operations, which may include proprietary business information and personally identifiable information of our customers, suppliers and employees. Our information technology systems are subject to disruption, damage or failure from a variety of sources, including computer viruses, security breaches, cyber-attacks, employee error and defects in design. Damage, disruption, or failure of information technology systems may result in interruptions to our operations or may require a significant investment to fix or replace them or may result in significant damage to our reputation. Although various measures have been implemented to manage our risks related to the information technology systems and network disruptions, our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks that could lead to the payment of fraudulent claims, loss of sensitive information, including our own proprietary information or that of our customers, suppliers and employees, and could harm our reputation and result in lost revenues and additional costs and potential liabilities.

Risks Related to Our Organization and Structure

We are a holding company with no operations and rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations.

We are a holding company with no material direct operations. Our principal assets are the equity interests we directly or indirectly hold in our operating subsidiaries. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations. Although there are currently no material legal restrictions on our operating subsidiaries’ ability to distribute assets to us, legal restrictions, including governmental regulations and contractual obligations, could restrict or impair our operating subsidiaries’ ability to pay dividends or make loan or other distributions to us. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions.

Risks Related to Taxation

If Aircastle were treated as engaged in a trade or business in the United States, it would be subject to U.S. federal income taxation on a net income basis, which would adversely affect our business.

If, contrary to expectations, Aircastle were treated as engaged in a trade or business in the United States, the portion of its net income, if any, that was “effectively connected” with such trade or business would be subject to U.S. federal income taxation at a maximum rate of 35% for taxable years ending on or prior to December 31, 2017 and 21% for taxable years beginning after December 31, 2017 (such rate, the “Federal Rate”). In addition, Aircastle would be subject to the U.S. federal branch profits tax on its effectively connected earnings and profits at a rate of 30%. The imposition of such taxes would adversely affect our business.

If there is not sufficient trading in shares of our ultimate parent company, or if 50% of such shares are held by certain 5% shareholders, we could lose our eligibility for an exemption from U.S. federal income taxation on rental income from our aircraft used in “international traffic” and could be subject to U.S. federal income taxation, which would adversely affect our business.

We expect that we are currently eligible for an exemption under Section 883 of the Internal Revenue Code of 1986, as amended (the “Code”), which provides an exemption from U.S. federal income taxation with respect to rental income derived from aircraft used in international traffic by certain foreign corporations. No assurances can be given that we will continue to be eligible for this exemption. To qualify for this exemption in respect of rental income, the lessor of the aircraft must be organized in a country that grants a comparable exemption to U.S. lessors (Bermuda and Ireland each do), and certain other requirements must be satisfied. We can satisfy these requirements in any year if, for more than half the days of such year, our shares are primarily and regularly traded on a recognized exchange and certain shareholders, each of whom owns 5% or more of our shares (applying certain attribution rules), do not collectively own more than 50% of our shares. Following the Merger, these stock ownership requirements are currently tested at the Marubeni and Mizuho Leasing levels such that Aircastle and its subsidiaries can continue to qualify for the Section 883 exemption if the stock of Marubeni is considered to be primarily and regularly traded on a recognized stock exchange and non-qualifying 5% or greater shareholders are not considered to collectively own more than 50% of Marubeni’s shares, as described above. If Marubeni’s shares cease to satisfy these requirements, then we may no longer be eligible for the Section 883 exemption with respect to rental income earned by aircraft used in international traffic. If we were not eligible for the exemption under Section 883 of the Code, we expect that the U.S. source rental income of Aircastle Bermuda generally would be subject to U.S. federal taxation, on a gross income basis, at a rate of not in excess of 4% as provided in Section 887 of the Code. If, contrary to expectations, Aircastle Bermuda did not comply with certain administrative guidelines of the Internal Revenue Service, such that 90% or more of Aircastle Bermuda’s U.S. source rental income were attributable to the activities of personnel based in the United States, Aircastle Bermuda’s U.S. source rental income would be treated as income effectively connected with the conduct of a trade or business in the United States. In such case, Aircastle Bermuda’s U.S. source rental income would be subject to U.S. federal income taxation on its net income at the Federal Rate as well as state and local taxation. In addition, Aircastle Bermuda would be subject to the U.S. federal branch profits tax on its effectively connected earnings and profits at a rate of 30%. The imposition of such taxes would adversely affect our business.

Bermuda Economic Substance Act 2018

Pursuant to the Economic Substance Act 2018 (as amended) of Bermuda (the “ESA”) that came into force in January 2019, a registered entity other than an entity which is resident for tax purposes in certain jurisdictions outside Bermuda (“non-resident entity”) that carries on as a business any one or more of the “relevant activities” referred to in the ESA must comply with economic substance requirements. The ESA may require in-scope Bermuda entities which are engaged in such “relevant activities” to be directed and managed in Bermuda, have an adequate level of qualified employees in Bermuda, incur an adequate level of annual expenditure in Bermuda, maintain adequate physical presence in Bermuda or perform core income-generating activities in Bermuda. The list of “relevant activities” includes carrying on any one or more of: insurance, financing and leasing (which excludes operating leases), headquarters, intellectual property and holding entities.

Entities subject to the economic substance requirements are required to evidence their compliance and file an economic substance declaration with the Registrar of Companies in Bermuda on an annual basis.

Any entity that must satisfy economic substance requirements but fails to do so could face financial penalties, a restriction of its business activities, automatic reporting by the Bermuda authorities to the competent authorities in the European Union on an entity’s non-compliance or being struck-of as a registered entity in Bermuda. If any one of the foregoing were to occur it may adversely affect the business operations of the Company or its Bermuda subsidiaries.

The Company and its Bermuda subsidiaries believe they have complied with the ESA requirements and have filed, and will continue to file, annual economic substance declarations with the Registrar of Companies in Bermuda as required. The Registrar of Companies in Bermuda ultimately assesses compliance with the ESA requirements.

We may become subject to an increased rate of Irish taxation which would adversely affect our business.

Our Irish subsidiaries and affiliates are expected to be subject to corporation tax on their income from leasing, managing, and servicing aircraft at the 12.5% tax rate applicable to trading income. This expectation is based on certain

assumptions, including that we will maintain at least the current level of our business operations in Ireland. If we are not successful in achieving trading status in Ireland, the non-trading income activities of our Irish subsidiaries and affiliates would be subject to tax at the rate of 25% and capital gains would be taxed at the rate of 33%.

We may become subject to income or other taxes in the non-U.S. jurisdictions in which our aircraft operate, where our lessees are located or where we perform certain services which would adversely affect our business.

Certain Aircastle entities are expected to be subject to the income tax laws of Ireland and the United States. In addition, we may be subject to income or other taxes in other jurisdictions by reason of our activities and operations, where our aircraft operate or where the lessees of our aircraft (or others in possession of our aircraft) are located. Although we have adopted operating procedures to reduce the exposure to such taxation, we may be subject to such taxes in the future and such taxes may be substantial. In addition, if we do not follow separate operating guidelines relating to managing a portion of our aircraft portfolio through offices in Ireland and Singapore, income from aircraft not owned in such jurisdictions would be subject to local tax. Changes in tax law could impose withholding taxes on lease payments during the term of a lease. Our leases typically require our lessees to indemnify us in respect of taxes, but some leases may not require such indemnification or a lessee may fail to make such indemnification payment. The imposition of such taxes could adversely affect our business.

The introduction of Base Erosion and Profit Shifting by the Organization for Economic Cooperation and Development's may impact our effective tax rate in future periods.

The Organization for Economic Co-operation and Development (the "OECD") has introduced an action plan with respect to base erosion and profit shifting ("BEPS"). The plan targets among other things tax avoidance measures such as hybrid instruments, excessive interest deductions, treaty shopping, and permanent establishment avoidance.

As part of its BEPS actions, the OECD published the "Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting" ("MLI"). Since June 2017, representatives from over 95 jurisdictions have signed up to the MLI. The MLI seeks to incorporate agreed tax treaty-related measures combating tax avoidance into bilateral existing tax treaties without the need to negotiate new treaties. The MLI may apply to double tax treaties entered into by other countries in which we have operations (in some cases with effect from as early as January 2019).

The MLI entered into force for Ireland in May 2019, and became effective for withholding tax on January 1, 2020. The MLI changed Ireland's treaties by including a principal purpose test ("PPT"), which will disallow treaty benefits where it is reasonable to conclude that the main purpose or one of the main purposes of a transaction or arrangement is to obtain directly or indirectly the benefits of the treaty. Given the subjectivity of the PPT, there is a risk that each counterparty jurisdiction will interpret it differently, which creates uncertainty in its application to leasing and other arrangements. Until such time as countries develop guidance on how the test will be applied, it will be difficult to determine its effect on us.

Ireland did not adopt the MLI's "dependent agent" permanent establishment threshold. Some countries could seek a bilateral re-negotiation on the point to change the dependent agent provisions in their tax treaty with Ireland. Any such change could take some time to be agreed and subsequently ratified before it could come into effect.

Further changes to tax law will be required in order to fully implement the BEPS action plans. At this moment, it is difficult to determine what further BEPS actions the governments of lessee jurisdictions will implement. Depending on the nature of the BEPS action plans adopted, it may result in an increase in our effective tax rate and cash taxes liabilities in future periods.

The E.U. Anti-tax Avoidance proposals may impact our effective rate of tax in future periods.

The Council of the E.U. has implemented the E.U. Anti-Tax Avoidance Directives ("EU ATAD") and the amending Directive ("EU ATAD 2"). These Directives seek to oblige all E.U. member states to introduce a number of anti-tax avoidance measures.

Most of the measures were implemented with effect from January 2019, though certain measures may be deferred to 2024. The EU ATAD contemplates the introduction of a restriction on the deductibility of interest, measures in respect of certain hybrid transactions and instruments, an exit charge, a switch over rule, controlled foreign company rules as well as a general anti-avoidance rule.

Ireland sought to defer the introduction of rules restricting the tax deductibility of interest payments until 2024. However, it seems increasingly likely that Ireland may seek to introduce these rules from January 1, 2022. The current proposal would restrict the tax deductibility of interest expense to 30% of EBITDA or possibly a higher threshold if the third-party group interest expense ratio to group EBITDA is higher than 30%. This measure may impact the ability of our Irish tax resident companies to claim a tax deduction for interest payments.

The impact of the other measures in respect of certain hybrid transactions and instruments, an exit charge, a switch over rule, controlled foreign company rules as well as a general anti-avoidance rule will depend on the exact scope of these measures. The impact on the Company's tax position (if any), will depend on the implementation of these measures in Ireland and other EU jurisdictions where we have operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease office space in Stamford, Connecticut, Dublin, Ireland and in Singapore. The lease for our current office in Stamford, Connecticut expires in August 2028. The lease for our Dublin office expires in October 2026 and the lease on our Singapore office expires in July 2022. None of these leases are individually material to the Company's consolidated financial statements.

We believe our current facilities are adequate for our current needs and that suitable additional space will be available as and when needed.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material legal or adverse regulatory proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Information about our Executive Officers

Executive officers are elected by our Board of Directors, and their terms of office continue until the next annual meeting of the board or until their successors are elected and have been duly qualified. There are no family relationships among our executive officers.

Set forth below is information pertaining to our executive officers who held office as of April 15, 2021:

Michael Inglese, 60, became our Chief Executive Officer and a member of our Board in June 2017, having served as our Acting Chief Executive Officer from January 2017. He was previously our Chief Financial Officer from April 2007. Prior to joining the Company, Mr. Inglese served as an Executive Vice President and Chief Financial Officer of PanAmSat Holding Corporation, where he served as Chief Financial Officer from June 2000 until the closing of PanAmSat's sale to Intelsat in July 2006. Mr. Inglese joined PanAmSat in May 1998 as Vice President, Finance after serving as Chief Financial Officer for DIRECTV Japan, Inc. He is a Chartered Financial Analyst who holds a BS in Mechanical Engineering from Rutgers University College of Engineering and his MBA from Rutgers Graduate School of Business Management.

Aaron Dahlke, 52, became our Chief Financial Officer in June 2017. Prior to that, he was our Chief Accounting Officer from June 2005. Prior to joining the Company, Mr. Dahlke was Vice President and Controller of Boullioun Aviation Services Inc. from January 2003 to May 2005. Prior to Boullioun, Mr. Dahlke was at ImageX.com, Inc. and Ernst & Young LLP. He received a BS in Accounting from California State University, San Bernardino. He is a Certified Public Accountant.

Douglas C. Winter, 57, became our Chief Commercial Officer in April 2019. Prior to joining Aircastle, Mr. Winter was Vice Chairman of Amedeo, a leading aircraft asset manager, from July 2018 to March 2019, as well as Chief

Executive Officer and member of the Board of Managers at Voyager Aviation (“Voyager”) from October 2017 to March 2019. Prior to this, he served as President and Chief Commercial Officer at Voyager from September 2015 to September 2017. Mr. Winter joined Voyager in June 2015 as Chief Commercial Officer. Previously, Mr. Winter was an advisor to GE Capital Aviation Services and Chief Executive Officer of Octagon Aviation from June 2013 to May 2015 and, before this, he served as Head of Global Sales at AWAS in Dublin, Ireland from December 2010 to May 2013. Mr. Winter has over twenty years of experience in commercial aviation, having started his career with McDonnell Douglas in 1985, and he holds a BS in Business from Indiana University.

Christopher L. Beers, 56, is our Chief Legal Officer & Secretary and became our General Counsel in November 2014. Prior to joining the Company, Mr. Beers held senior positions at GE Capital since 2000, including Senior Vice President and Associate General Counsel at GECAS from 2009 to 2014, and Senior Vice President and General Counsel of GE Transportation Finance from 2006 to 2009. Previously, Mr. Beers was a Senior Associate at the law firm of Milbank Tweed Hadley and McCloy in New York City. Mr. Beers holds a BS in Economics from Arizona State University and a JD from Pace Law School.

Joseph Schreiner, 63, became our Chief Technical Officer in March 2020. Mr. Schreiner was previously our Executive Vice President, Technical from October 2004 to March 2020. Prior to joining the Company, Mr. Schreiner oversaw the technical department at AAR Corp, a provider of products and services to the aviation and defense industries from 1998 to 2004 where he managed aircraft and engine evaluations and inspections, aircraft lease transitions, reconfiguration and heavy maintenance. Prior to AAR, Mr. Schreiner spent nineteen years at Boeing (McDonnell-Douglas) in various technical management positions. Mr. Schreiner received a BS from the University of Illinois and an MBA from Pepperdine University.

Roy Chandran, 57, became our Chief Strategy Officer in March 2020. Mr. Chandran was previously our Executive Vice President, Corporate Finance and Strategy from June 2017 to March 2020. He previously served as Executive Vice President of Capital Markets from May 2008. Prior to joining the Company, Mr. Chandran was a Director at Citi in the Global Structured Solutions Group, having originally joined Salomon Brothers in 1997. Mr. Chandran is responsible for all of the Company’s fund raising activities and strategy and has extensive experience in US and international capital markets. Before 1997, Mr. Chandran spent eight years in Hong Kong focusing on tax-based cross border leasing of transportation equipment for clients in the Asia Pacific region. Mr. Chandran holds a BS in Chemical Engineering from the Royal Melbourne Institute of Technology, Australia and obtained his MBA from the International Institute of Management Development (“IMD”), Switzerland.

James C. Connelly, 48, became our Chief Accounting Officer in September 2018. Mr. Connelly has been Aircastle’s Controller since January 2013. He joined Aircastle in May 2007 as Assistant Controller, Operational Accounting. Prior to joining Aircastle, Mr. Connelly was with Lehman Brothers as a Controller in their Finance Division, beginning in January 2001. Mr. Connelly received a BS in Accounting from Syracuse University.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTER AND ISSUER PURCHASES OF EQUITY SECURITIES

Not applicable.

ITEM 6. REMOVED AND RESERVED

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management’s discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks, uncertainties and assumptions. You should read the following discussion in conjunction with our historical consolidated financial statements and the notes thereto appearing elsewhere in this Annual Report. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those described under Item 1A. — “Risk Factors” and elsewhere in this Annual Report. Please see “Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995” for a discussion of the uncertainties, risks and assumptions associated with these statements. Our

consolidated financial statements are prepared in accordance with U.S. GAAP and, unless otherwise indicated, the other financial information contained in this Annual Report has also been prepared in accordance with U.S. GAAP. Unless otherwise indicated, all references to “dollars” and “\$” in this Annual Report are to, and all monetary amounts in this Annual Report are presented in, U.S. dollars.

OVERVIEW

Aircastle acquires, leases, and sells commercial jet aircraft to airlines throughout the world. As of February 28, 2021, we owned and managed on behalf of our joint venture 261 aircraft leased to 75 lessees located in 43 countries. Our aircraft are managed by an experienced team based in the United States, Ireland and Singapore. Our aircraft are subject to net leases whereby the lessee is generally responsible for maintaining the aircraft and paying operational, maintenance and insurance costs. However, in many cases we are obligated to pay a specified portion of maintenance or modification costs. As of February 28, 2021, the net book value of our flight equipment (including flight equipment held for lease and net investment in direct financing and sales-type leases, or “net book value”) was \$6.69 billion compared to \$7.79 billion for the year ended December 31, 2019. Our revenues, net income (loss) and Adjusted EBITDA were \$832.3 million, \$(333.2) million, and \$774.4 million for the year ended February 28, 2021, and were \$917.9 million, \$156.6 million and \$862.2 million for the year ended December 31, 2019.

Merger with MM Air Limited

On March 27, 2020, the Company successfully completed its merger (the “Merger”) and is now controlled by affiliates of Marubeni Corporation and Mizuho Leasing Company, Limited (“Mizuho Leasing”). The Merger has not resulted in any change of the Company’s business strategy, and we believe the Company will benefit by having stable investors with a long-term investment horizon. We also may benefit by being affiliated with Mizuho Leasing, part of the Mizuho Financial Group, one of the largest Japanese financial institutions.

As previously disclosed, on September 30, 2020, the Company’s Board of Directors unanimously agreed to change the Company’s fiscal year end to the twelve-month period ended the last day in February. This change better aligns the Company’s financial reporting period with the financial reporting cycle of its shareholders, Marubeni Corporation and Mizuho Leasing.

Acquisitions and Sales

During the year ended February 28, 2021, we acquired five aircraft for \$154.3 million. As of April 15, 2021, we have acquired no additional aircraft. At February 28, 2021, we had commitments to acquire 25 new E-Jet E2 aircraft from Embraer S.A. for \$825.1 million, with delivery beginning in March 2021. These amounts include estimated amounts for pre-delivery deposits, contractual price escalations and other adjustments. As of April 15, 2021, we have commitments to acquire 25 aircraft for \$825.1 million.

During the year ended February 28, 2021, we sold twelve aircraft and other flight equipment for \$180.3 million, which resulted in a net gain of \$33.5 million. As of April 15, 2021, we have sold two additional aircraft.

The following table sets forth certain information with respect to the aircraft owned and managed on behalf of our joint ventures by us as of February 28, 2021, February 29, 2020 and December 31, 2019:

AIRCASTLE AIRCRAFT INFORMATION (dollars in millions)

Owned Aircraft	As of February 28, 2021⁽¹⁾	As of February 29, 2020⁽¹⁾	As of December 31, 2019⁽¹⁾
Net Book Value of Flight Equipment	\$ 6,688	\$ 7,569	\$ 7,794
Net Book Value of Unencumbered Flight Equipment	\$ 5,432	\$ 5,829	\$ 5,979
Number of Aircraft	252	272	278
Number of Unencumbered Aircraft	219	232	237
Number of Lessees	75	85	84
Number of Countries	43	47	48
Weighted Average Age (years) ⁽²⁾	10.6	10.0	9.9
Weighted Average Remaining Lease Term (years) ⁽²⁾	4.2	4.7	4.8
Weighted Average Fleet Utilization during the Fourth Quarter ⁽³⁾⁽⁵⁾	93.7 %	N/A	99.2 %
Weighted Average Fleet Utilization for the Year Ended ⁽³⁾	94.5 %	99.1 %	96.4 %
Portfolio Yield for the Fourth Quarter ⁽⁴⁾	8.5 %	11.1 %	11.2 %
Portfolio Yield for the Year Ended ⁽⁴⁾	9.2 %	11.0 %	10.9 %
Managed Aircraft on behalf of Joint Ventures			
Flight Equipment	\$ 312	\$ 326	\$ 328
Number of Aircraft	9	9	9

(1) Calculated using net book value at period end.

(2) Weighted by net book value.

(3) Aircraft on-lease days as a percent of total days in period weighted by net book value. The decrease from our historical utilization rate was primarily due to early terminations. Weighted Average Fleet Utilization for the Year Ended February 29, 2020 of 99.1% represents utilization for the two months ended February 29, 2020.

(4) Lease rental revenue, interest income and cash collections on our net investment in direct financing and sales-type leases for the period as a percent of the average net book value for the period; quarterly information is annualized. The calculation of portfolio yield includes our net investment in direct financing and sales-type leases in the average net book value, and the interest income and cash collections from our net investment in direct financing and sales-type leases in lease rentals

(5) N/A - not applicable.

PORTFOLIO DIVERSIFICATION

	Owned Aircraft as of February 28, 2021		Owned Aircraft as of February 29, 2020		Owned Aircraft as of December 31, 2019	
	Number of Aircraft	% of Net Book Value ⁽¹⁾	Number of Aircraft	% of Net Book Value ⁽¹⁾	Number of Aircraft	% of Net Book Value ⁽¹⁾
Aircraft Type						
Passenger:						
Narrow-body	226	78 %	244	75 %	250	75 %
Wide-body	22	18 %	24	21 %	24	21 %
Total Passenger	248	96 %	268	96 %	274	96 %
Freighter	4	4 %	4	4 %	4	4 %
Total	252	100 %	272	100 %	278	100 %
Manufacturer						
Airbus	169	64 %	183	63 %	184	63 %
Boeing	78	34 %	84	36 %	89	36 %
Embraer	5	2 %	5	1 %	5	1 %
Total	252	100 %	272	100 %	278	100 %
Regional Diversification						
Asia and Pacific	79	37 %	90	38 %	94	38 %
Europe	92	27 %	99	27 %	99	26 %
Middle East and Africa	11	4 %	15	6 %	16	7 %
North America	28	12 %	40	13 %	40	13 %
South America	26	13 %	26	15 %	26	15 %
Off-lease	16 ⁽²⁾	7 %	2 ⁽³⁾	1 %	3 ⁽⁴⁾	1 %
Total	252	100 %	272	100 %	278	100 %

(1) Calculated using net book value at year end.

(2) Consisted of one Airbus A320-200 and one Airbus A330-200 aircraft subject to executed leases with a customer in Europe, four Boeing 737-800 aircraft subject to executed leases or confirmed letters of intent with customers in Europe, one Boeing 737-800 aircraft consigned for sale and four Airbus A320-200, three Airbus A330-200, and two Boeing 737-800 aircraft which we are marketing for lease or sale.

(3) Consisted of one Airbus A330-200 aircraft, which was delivered to a customer in Europe in August 2020, and one Boeing 737-800 aircraft, which is subject to a confirmed letter intent to lease with a customer in Europe.

(4) Consisted of one Airbus A320-200 aircraft, which was delivered on lease to a customer in Europe in February 2020, one Airbus A330-200 aircraft, which was delivered to a customer in Europe in the second quarter of 2020, and one Boeing 737-800 aircraft, which was sold in February 2020.

Our largest customer represents approximately 8% of the net book value at February 28, 2021. The top ten customers for aircraft we owned at February 28, 2021, are as follows:

Customer	Percent of Net Book Value	Country	Number of Aircraft
IndiGo	8.3%	India	13
LATAM ⁽¹⁾	7.7%	Chile	13
easyJet	4.6%	United Kingdom	25
Iberia	3.9%	Spain	15
Air Canada	3.7%	Canada	5
Lion Air	3.5%	Indonesia	7
Aerolineas Argentinas	3.0%	Argentina	5
American Airlines	2.8%	United States	7
AirBridge Cargo ⁽²⁾	2.6%	Russia	2
Jeju Air	2.5%	South Korea	7
Total top ten customers	42.6%		99
All other customers	57.4%		153
Total all customers	100.0%		252

(1) LATAM filed for Chapter 11 in May 2020.

(2) Guaranteed by Volga-Dnepr Airlines. We have one additional aircraft on lease with an affiliate.

Finance

We operate in a capital-intensive industry and have a demonstrated track record of raising substantial amounts of capital over the last sixteen years. Since our inception in late 2004, we raised \$1.69 billion in equity capital from private and public investors. We also obtained \$18.9 billion in debt capital from a variety of sources including export credit agency-backed debt, commercial bank debt, the aircraft securitization markets and the unsecured bond market. The diversity and global nature of our financing sources demonstrates our ability to adapt to changing market conditions and seize new growth opportunities.

We intend to fund new investments through cash on hand, funds generated from operations, maintenance payments received from lessees, secured borrowings for aircraft, draws on our revolving credit facilities and proceeds from any future aircraft sales. We may repay all or a portion of such borrowings from time to time with the net proceeds from subsequent long-term debt financings, additional equity offerings or cash generated from operations and asset sales. Therefore, our ability to execute our business strategy, particularly the acquisition of additional commercial jet aircraft or other aviation assets, depends to a significant degree on our ability to obtain additional debt and equity capital on terms we deem attractive.

See “Liquidity and Capital Resources — Secured Debt Financings” and “Liquidity and Capital Resources — Unsecured Debt Financings” below.

Comparison of the year ended February 28, 2021 to the year ended December 31, 2019:

	Year Ended,	
	February 28, 2021	December 31, 2019
(Dollars in thousands)		
Revenues:		
Lease rental revenue	\$ 611,421	\$ 777,403
Direct financing and sales-type lease revenue	18,215	32,295
Amortization of lease premiums, discounts and incentives	(22,842)	(22,636)
Maintenance revenue	172,668	74,987
Total lease revenue	779,462	862,049
Gain on sale of flight equipment	33,536	45,532
Other revenue	19,290	10,357
Total revenues	832,288	917,938
Operating expenses:		
Depreciation	347,517	356,021
Interest, net	235,338	258,070
Selling, general and administrative	93,671	77,034
Impairment of flight equipment	425,579	7,404
Maintenance and other costs	20,005	24,828
Total operating expenses	1,122,110	723,357
Other expense		
Loss on extinguishment of debt	(2,640)	(7,577)
Merger expenses	(32,605)	(7,372)
Other	(191)	(4,492)
Total other expense	(35,436)	(19,441)
Income (loss) from continuing operations before income taxes	(325,258)	175,140
Income tax provision	10,236	22,667
Earnings of unconsolidated equity method investment, net of tax	2,326	4,102
Net income (loss)	<u>\$ (333,168)</u>	<u>\$ 156,575</u>

Revenues:

Total revenues decreased by \$85.7 million, for the year ended February 28, 2021 as compared to the year ended December 31, 2019:

Lease rental revenue decreased by \$166.0 million for the year ended February 28, 2021, as a result of:

- a \$121.6 million decrease due to early lease terminations and the recognition of lease rental revenue for certain customers using a cash basis of accounting rather than an accrual method – see Note 1 regarding our lease revenue recognition policy;
- a \$58.2 million decrease due to the sale of 32 aircraft since January 1, 2019; and
- a \$38.4 million decrease due to lease extensions, amendments, transitions and other changes.

This was partially offset by a \$52.2 million increase in revenue reflecting the impact of 48 aircraft purchased since January 1, 2019.

Direct financing and sales-type lease revenue decreased \$14.1 million, primarily attributable to the early lease terminations of eight aircraft during the year ended February 28, 2021 and the sales of three aircraft subject to direct financing and sales-type leases.

Amortization of lease premiums, discounts and incentives.

	Year Ended	
	February 28, 2021	December 31, 2019
	(Dollars in thousands)	
Amortization of lease premiums	\$ (15,652)	\$ (16,719)
Amortization of lease discounts	1,070	4,406
Amortization of lease incentives	(8,260)	(10,323)
Amortization of lease premiums, discounts and incentives	<u>\$ (22,842)</u>	<u>\$ (22,636)</u>

The decrease in amortization of lease discounts of \$3.3 million for the year ended February 28, 2021, as compared to the year ended December 31, 2019, was due to fully amortized lease discounts for aircraft that transitioned to new lessees or extended.

The decrease in amortization of lease incentives of \$2.1 million for the year ended February 28, 2021, as compared to the year ended December 31, 2019, was primarily due to scheduled lease expirations and early lease terminations, as well as the sales of six aircraft.

Maintenance revenue. For the year ended February 28, 2021, we recorded \$172.7 million of maintenance revenue, comprised primarily of \$95.0 million related to the early lease terminations of seventeen narrow-body and one wide-body aircraft, as well as \$57.3 million related to the scheduled lease expirations of ten narrow-body and one wide-body aircraft. In addition, we recorded \$16.3 million of maintenance revenue related to three wide-body aircraft for which the customers are subject to judicial insolvency proceedings or similar protection. For the year ended December 31, 2019, we recorded \$75.0 million of maintenance revenue, comprised of \$45.8 million related to the scheduled lease expirations of nine narrow-body and four wide-body aircraft and \$29.1 million related to the early lease terminations of nineteen narrow-body and one wide-body aircraft.

Gain on sale of flight equipment decreased by \$12.0 million to \$33.5 million for the year ended February 28, 2021, as compared to gains of \$45.5 million for the year ended December 31, 2019. During the year ended February 28, 2021, we sold twelve aircraft as compared to the sale of twenty aircraft during the year ended December 31, 2019. Gain on sale for each of these periods includes the receipt of insurance proceeds for one aircraft which was disposed.

Other revenue increased \$8.9 million to \$19.3 million during the year ended February 28, 2021, as compared to \$10.4 million for the year ended December 31, 2019, due to \$18.7 million of security deposits and early lease termination fees recognized into revenue primarily related to ten narrow-body and one wide-body aircraft. This was partially offset by lower service fees of \$8.8 million related to the liquidation of our joint venture with an affiliate of the Ontario Teachers' Pension Plan.

Operating Expenses:

Total operating expenses increased by \$398.8 million, for the year ended February 28, 2021 as compared to the year ended December 31, 2019:

Depreciation expense decreased by \$8.5 million for the year ended February 28, 2021 as compared to the year ended December 31, 2019. The decrease is primarily comprised of \$40.0 million resulting from 33 aircraft sold since January 1, 2019 and lower depreciation for thirteen aircraft subject to impairments. This was partially offset by a \$26.6 million increase in depreciation due to 53 aircraft acquired since January 1, 2019.

Interest, net consisted of the following:

	Year Ended	
	February 28, 2021	December 31, 2019
	(Dollars in thousands)	
Interest on borrowings, net settlements on interest rate derivatives, and other liabilities	\$ 221,246	\$ 245,673
Amortization of deferred losses related to interest rate derivatives	—	184
Amortization of deferred financing fees and debt discount	14,791	14,578
Interest expense	236,037	260,435
Less: Interest income	(523)	(2,365)
Less: Capitalized interest	(176)	—
Interest, net	<u>\$ 235,338</u>	<u>\$ 258,070</u>

Interest, net decreased by \$22.7 million as compared to the year ended December 31, 2019, primarily due to lower weighted average interest rates, partially offset by higher weighted average debt outstanding.

Selling, general and administrative expenses for year ended February 28, 2021 increased \$16.6 million as compared to the year ended December 31, 2019, primarily attributable to an increase in share-based compensation expense of \$12.2 million as a result of the Merger and a provision for credit losses of \$5.3 million related to the change in our allowance for credit losses.

Impairment of aircraft. We recorded impairment charges of \$425.6 million for the year ended February 28, 2021, which primarily related to seventeen narrow-body and nine wide-body aircraft. The Company recognized \$157.0 million of maintenance revenue and security deposits into revenue related to these 26 aircraft during the year ended February 28, 2021. During the year ended December 31, 2019, we recorded impairment charges of \$7.4 million related to two narrow-body aircraft. See “Summary of Recoverability Assessment and Other Impairments” below for a detailed discussion of impairment charges related to certain aircraft.

Maintenance and other costs were \$20.0 million for the twelve months ended February 28, 2021, a decrease of \$4.8 million as compared to the year ended December 31, 2019. The year ended December 31, 2019 included higher than projected lessor contributions towards the cost of maintenance events for aircraft acquired with attached leases, as well as higher costs for unscheduled transitions.

Other Expense:

Total other expense increased by \$16.0 million to \$35.4 million for the year ended February 28, 2021, as compared to \$19.4 million for the year ended December 31, 2019. During the year ended February 28, 2021, we incurred \$32.6 million of legal and banking expenses related to the Merger. In addition, we recorded losses on extinguishment of debt totaling \$2.6 million related to the early repayments of our Senior Notes due 2021 and secured debt obligations for three wide-body aircraft. During the year ended December 31, 2019, we incurred a loss on extinguishment of debt of \$7.6 million due to the early repayment of our Senior Notes due 2019, \$7.4 million of legal and banking expenses related to the Merger, and unfavorable mark-to-market adjustments on our interest rate caps of \$4.8 million.

Income Tax Provision:

Our provision for income taxes for the years ended February 28, 2021 and December 31, 2019, was \$10.2 million and \$22.7 million, respectively. Income taxes have been provided based on the applicable tax laws and rates of those countries in which operations are conducted and income is earned, primarily Ireland and the United States. The decrease in our income tax provision of \$12.5 million for the year ended February 28, 2021, as compared to the year ended December 31, 2019, was primarily attributable to changes in operating income subject to tax in Ireland, the United States and other jurisdictions. The year ended February 28, 2021, includes a reversal of prior period tax charges of \$2.7 million related to the limitation in deductible compensation. The year ended December 31, 2019, included tax charges of \$4.1 million related to the limitation in deductible compensation and \$0.4 million related to the vesting of stock.

Earnings (Loss) of Unconsolidated Equity Method Investment, net of Tax:

Earnings from unconsolidated equity method investment, net of tax, was \$2.3 million during the twelve months ended February 28, 2021, as compared to \$4.1 million in December 31, 2019. See Note 5 “Unconsolidated Equity Method Investment.”

Summary of Recoverability Assessment and Other Impairments

Impairment of Flight Equipment

During the year ended February 28, 2021, the Company recorded impairment charges totaling \$425.6 million, of which \$378.2 million were transactional impairments, which primarily related to seventeen narrow-body and eight wide-body aircraft. The Company recognized \$157.0 million of maintenance revenue and security deposits into revenue related to these 25 aircraft during the year ended February 28, 2021. The impairment charges were attributable to early lease terminations, scheduled lease expirations, lessee defaults and/or judicial insolvency proceedings, or as a result of our annual recoverability assessment – refer to the section below for additional details.

During the year ended December 31, 2019, the Company recognized net maintenance revenue of \$17.6 million related to the early lease terminations of seven narrow-body aircraft due to lessee default. We recorded impairment charges of \$7.4 million related to two of these seven narrow-body aircraft.

Annual Recoverability Assessment

We completed our annual recoverability assessment of our aircraft in the second quarter. Of the \$425.6 million impairment charges recorded for the year ended February 28, 2021, we recorded \$43.0 million related to one narrow-body and one wide-body aircraft as a result our annual recoverability assessment. Although we have completed our annual recoverability assessment, we continue to monitor the developments of COVID-19. We are closely monitoring the impact of COVID-19 on our customers, air traffic, lease rental rates, and aircraft valuations, and will perform additional customer and aircraft specific reviews should changes in facts and circumstances arise that may impact the recoverability of our aircraft. We have and will focus on our customers that have entered judicial insolvency proceedings and any additional customers that may become subject to similar-type proceedings, aircraft with near-term lease expirations, and certain aircraft variants that are more susceptible to the impact of COVID-19 and value deterioration.

The recoverability assessment is a comparison of the carrying value of each aircraft to its undiscounted expected future cash flows. We develop the assumptions used in the recoverability assessment, including those relating to current and future demand for each aircraft type, based on management’s experience in the aircraft leasing industry, as well as information received from third-party sources. Estimates of the undiscounted cash flows for each aircraft type are impacted by changes in contracted and future expected lease rates, residual values, expected scrap values, economic conditions and other factors.

If our estimates or assumptions change, including those related to our customers that have entered judicial insolvency proceedings, we may revise our cash flow assumptions and record future impairment charges. While we believe that the estimates and related assumptions used in the annual recoverability assessment, and subsequent assessments, are appropriate, actual results could differ from those estimates.

Comparison of the year ended December 31, 2019 to the year ended December 31, 2018:

We have omitted discussion of the earliest two of the four periods covered by our consolidated financial statements presented in this Annual Report because that disclosure was already included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 13, 2020. You are encouraged to reference Part II, Item 7, within that report, for a discussion of our financial condition and result of operations for the year ended December 31, 2019 to the year ended December 31, 2018.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying footnotes. Our estimates and assumptions are based on historical experiences and currently available information. Actual results may differ from such estimates under different conditions, sometimes materially. A summary of our significant accounting policies is presented in the notes to our consolidated financial statements included elsewhere in this Annual Report. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results and require our most subjective judgments, estimates and assumptions. Our most critical accounting policies and estimates are described below.

Lease Revenue Recognition

We lease flight equipment under net operating leases with lease terms typically ranging from three to seven years. We generally do not offer renewal terms or purchase options in our leases, although certain of our operating leases allow the lessee the option to extend the lease for an additional term. Operating leases with fixed rentals and step rentals are recognized on a straight-line basis over the term of the initial lease, assuming no renewals. Operating lease rentals that adjust based on a London Interbank Offered Rate ("LIBOR") index are recognized on a straight-line basis over the lease term using the prevailing rate at lease commencement. Changes to rate-based lease rentals are recognized in the statement of income (loss) in the period of change.

In certain instances, we may provide lease concessions to customers, generally in the form of lease rental deferrals. While these deferral arrangements affect the timing of lease rental payments, the total amount of lease rental payments required over the lease term is generally the same as that which was required under the original lease agreement. We account for the deferrals as if no modifications to the lease agreements were made and record the deferred rentals as a receivable within Other assets in our Consolidated Balance Sheets.

If we determine that the collectability of rental payments is no longer probable (including any deferral thereof), we recognize lease rental revenue using a cash basis of accounting rather than an accrual method. Estimating whether collectability is probable requires some level of subjectivity and judgment. Management determines whether customers should be placed back on accrual status when it becomes probable that payments will be received in a timely manner. The accrual/non-accrual status of a customer is maintained at a level deemed appropriate based on factors such as the customer's credit rating, payment performance, financial condition and requests for modifications of lease terms and conditions. Events or circumstances outside of historical customer patterns can also result in changes to a customer's accrual status. In the period we conclude that collection of lease payments is no longer probable, we recognize any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, as a current period adjustment to lease rental revenue.

Maintenance Payments and Maintenance Revenue

Under our leases, the lessee must pay operating expenses accrued or payable during the term of the lease, which would normally include maintenance, overhaul, fuel, crew, landing, airport and navigation charges; certain taxes, licenses, consents and approvals; aircraft registration; and insurance premiums. Typically, our aircraft are subject to net operating leases whereby the lessee pays lease rentals and is generally responsible for maintaining the aircraft and paying operational, maintenance and insurance costs, although in a majority of cases, we are obligated to pay a portion of specified maintenance or modification costs. Our aircraft lease agreements generally provide for the periodic payment of a fixed amount of rent over the life of the lease, and the amount of the contracted rent will depend upon the type, age, specification and condition of the aircraft and market conditions at the time the lease is committed. The amount of rent we receive will depend on a number of factors, including the creditworthiness of our lessees and the occurrence of delinquencies, restructurings and defaults. Our lease rental revenues are also affected by the extent to which aircraft are off-lease and our ability to remarket aircraft that are nearing the end of their leases in order to minimize their off-lease time. Our success in re-leasing aircraft is affected by market conditions relating to our aircraft and by general industry conditions and trends. An increase in the percentage of off-lease aircraft or a reduction in lease rates upon remarketing would negatively impact our revenues.

Under an operating lease, the lessee will be responsible for performing maintenance on the relevant aircraft and will typically be required to make payments to us for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft. These maintenance payments are based on hours or cycles of utilization or on calendar time, depending upon the component, and would be made either monthly in arrears or at or near the end of the lease term. For maintenance payments made monthly in arrears during a lease term, we will typically be required to reimburse all or a portion of these payments to the lessee upon completion of the relevant heavy maintenance, overhaul or parts replacement. We record maintenance payments paid by the lessee during a lease as accrued maintenance liabilities in recognition of our obligation in the lease to refund such payments, and therefore we typically do not recognize maintenance revenue during the lease. Maintenance revenue recognition would occur at or near the end of a lease, when we are able to determine the amount, if any, by which reserve payments received exceed the amount we are required under the lease to reimburse to the lessee for heavy maintenance, overhaul or parts replacement. If a lease requires end of lease term maintenance payments, typically the lessee would be required to pay us for its utilization of the aircraft during the lease; however, in some cases, we may owe a net payment to the lessee in the event heavy maintenance is performed and paid for by the lessee during the lease term and the aircraft is returned to us in better condition than at lease inception. End of lease term maintenance payments made to us are recognized as maintenance revenue, and end of lease term maintenance payments we make to a lessee are recorded as contra maintenance revenue.

The amount of maintenance revenue or contra maintenance revenue we recognize in any reporting period is inherently volatile and is dependent upon a number of factors, including the timing of lease expiries, including scheduled and unscheduled expiries, the timing of maintenance events and the utilization of the aircraft by the lessee.

Lease Incentives and Amortization

Many of our leases contain provisions which may require us to pay a portion of the lessee's costs for heavy maintenance, overhaul or replacement of certain high-value components. We account for these expected payments as lease incentives, which are amortized as a reduction of revenue over the life of the lease. We estimate the amount of our portion for such costs, typically for the first major maintenance event for the airframe, engines, landing gear and auxiliary power units, expected to be paid to the lessee based on assumed utilization of the related aircraft by the lessee, the anticipated cost of the maintenance event and the estimated amounts the lessee is responsible to pay. The assumptions supporting these estimates are re-evaluated annually.

This estimated lease incentive is not recognized as a lease incentive liability at the inception of the lease. We recognize the lease incentive as a reduction of lease revenue on a straight-line basis over the life of the lease, with the offset being recorded as a lease incentive liability, which is included in maintenance payments on the balance sheet. The payment to the lessee for the lease incentive liability is first recorded against the lease incentive liability, and any excess above the lease incentive liability is recorded as a prepaid lease incentive asset, which is included in other assets on the balance sheet and continues to amortize over the remaining life of the lease.

Flight Equipment Held for Lease and Depreciation

Flight equipment held for lease is stated at cost and depreciated using the straight-line method, typically over a 25-year life from the date of manufacture for passenger aircraft and over a 30 to 35-year life for freighter aircraft, depending on whether the aircraft is a converted or purpose-built freighter, to estimated residual values. Estimated residual values are generally determined to be approximately 15% of the manufacturer's estimated realized price for passenger aircraft when new and 5% to 10% for freighter aircraft when new. Management may make exceptions to this policy on a case-by-case basis when, in its judgment, the residual value calculated pursuant to this policy does not appear to reflect current expectations of value. Examples of situations where exceptions may arise include but are not limited to:

- flight equipment where estimates of the manufacturers' realized sales prices are not relevant (e.g., freighter conversions);
- flight equipment where estimates of the manufacturers' realized sales prices are not readily available; and
- flight equipment which may have a shorter useful life due to obsolescence.

In accounting for flight equipment held for lease, we make estimates about the expected useful lives, the fair value of attached leases, acquired maintenance assets or liabilities and the estimated residual values. In making these estimates, we rely upon actual industry experience with the same or similar aircraft types and our anticipated utilization of the aircraft. As part of our due diligence review of each aircraft we purchase, we prepare an estimate of the expected

maintenance payments and any excess costs which may become payable by us, taking into consideration the then-current maintenance status of the aircraft and the relevant provisions of any existing lease.

For planned major maintenance activities for aircraft off-lease, the Company capitalizes the actual maintenance costs by applying the deferral method. Under the deferral method, we capitalize the actual cost of major maintenance events, which are depreciated on a straight-line basis over the period until the next maintenance event is required.

For purchase and lease back transactions, we account for the transaction as a single arrangement. We allocate the consideration paid based on the fair value of the aircraft and lease. The fair value of the lease may include a maintenance premium and a lease premium or discount.

When we acquire an aircraft with a lease, determining the fair value of the attached lease requires us to make assumptions regarding the current fair values of leases for specific aircraft. We estimate a range of current lease rates of like aircraft in order to determine if the attached lease is within a fair value range. If a lease is below or above the range of current lease rates, we present value the estimated amount below or above fair value range over the remaining term of the lease. The resulting lease discount or premium is amortized into lease rental income over the remaining term of the lease.

Impairment of Flight Equipment

We perform a recoverability assessment of all aircraft in our fleet, on an aircraft-by-aircraft basis, at least annually. In addition, a recoverability assessment is performed whenever events or changes in circumstances, or indicators, indicate that the carrying amount or net book value of an asset may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination, significant air traffic decline, the introduction of newer technology aircraft or engines, an aircraft type is no longer in production or a significant airworthiness directive is issued. When we perform a recoverability assessment, we measure whether the estimated future undiscounted net cash flows expected to be generated by the aircraft exceed its net book value. The undiscounted cash flows consist of cash flows from currently contracted leases, future projected lease rates, transition costs, estimated down time and estimated residual or scrap values for an aircraft. In the event that an aircraft does not meet the recoverability test, the aircraft will be adjusted to fair value, resulting in an impairment charge.

Management develops the assumptions used in the recoverability analysis based on current and future expectations of the global demand for a particular aircraft type and historical experience in the aircraft leasing market and aviation industry, as well as information received from third party industry sources. The factors considered in estimating the undiscounted cash flows are impacted by changes in future periods due to changes in contracted lease rates, residual values, economic conditions, technology, airline demand for a particular aircraft type and other risk factors discussed in Item 1A. "Risk Factors." See further discussion of our aircraft more susceptible to failing our recoverability assessment under "Summary of Recoverability Assessment and Other Impairments" above and "Fair Value Measurements" below.

Net Investment in Direct Financing and Sales-Type Leases

If a lease meets specific criteria at lease commencement or at the effective date of a lease modification, we recognize the lease as a direct financing or sales-type lease. The net investment in direct financing and sales-type leases consists of the lease receivable, estimated unguaranteed residual value of the leased flight equipment at lease-end and, for direct financing leases, deferred selling profit. For sales-type leases, we recognize the difference between the net book value of the aircraft and the net investment in the lease as a gain or loss on sale of flight equipment. Selling profit on a direct financing lease is deferred and amortized over the lease term, and a selling loss is recognized at lease commencement. Interest income on our net investment in leases is recognized as Direct financing and sales-type lease revenue over the lease term in a manner that produces a constant rate of return on the net investment in the lease.

The net investment in leases is recorded in the consolidated financial statements net of an allowance for credit losses. The allowance for credit losses is recorded upon the initial recognition of the net investment in the lease based on the Company's estimate of expected credit losses over the lease term. The allowance reflects the Company's estimate of lessee default probabilities and loss given default percentages. When determining the credit loss allowance, we consider relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the net investment in the lease. The allowance also considers potential losses due to non-credit risk related to unguaranteed residual values. A provision for credit losses is recorded as a component of Selling, general, and

administrative expenses in our Consolidated Statements of Income (Loss) to adjust the allowance for changes to management's estimate of expected credit losses.

Fair Value Measurements

We measure the fair value of certain assets and liabilities on a non-recurring basis, when U.S. GAAP requires the application of fair value, including events or changes in circumstances that indicate that the carrying amounts of assets may not be recoverable. Assets subject to these measurements include our aircraft and unconsolidated equity investments. We record aircraft at fair value when we determine the carrying value may not be recoverable. Fair value measurements for aircraft in impairment tests are based on the average of the market approach that uses Level 2 inputs, which include third party appraisal data and an income approach that uses Level 3 inputs, which include the Company's assumptions and appraisal data as to future cash proceeds from leasing and selling aircraft discounted using the Company's weighted average cost of capital.

We account for our investments in unconsolidated joint ventures under the equity method of accounting. Investments are reviewed for impairment whenever events or changes in circumstances indicate the fair value is less than its carrying value and the decline is other-than-temporary

Income Taxes

The Company records an income tax provision in accordance with the various tax laws for those jurisdictions within which our transactions occur. Aircastle uses an asset and liability based approach in accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statement and tax basis of existing assets and liabilities using enacted rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount estimated by us to be realizable. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities. We did not have any unrecognized tax benefits.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

See Note 1 – Summary of Significant Accounting Policies - Organization and Basis of Presentation in the Notes to Consolidated Financial Statements below.

RECENTLY PROPOSED ACCOUNTING PRONOUNCEMENTS

See Note 1 – Summary of Significant Accounting Policies - Proposed Accounting Pronouncements in the Notes to Consolidated Financial Statements below.

LIQUIDITY AND CAPITAL RESOURCES

Our business is very capital intensive, requiring significant investments in order to expand our fleet and to maintain and improve our existing portfolio. Our operations generate a significant amount of cash, primarily from lease rentals and maintenance collections. We have also met our liquidity and capital resource needs by utilizing several sources over time, including:

- various forms of borrowing secured by our aircraft, including bank term facilities, limited recourse securitization financings, and ECA-backed financings for new aircraft acquisitions;
- unsecured indebtedness, including our current unsecured revolving credit facilities, term loan and senior notes;
- asset sales; and
- sales of common shares.

Going forward, we expect to continue to seek liquidity from these sources and other sources, subject to pricing and conditions we consider satisfactory.

During the year ended February 28, 2021, we met our liquidity and capital resource needs with \$175.0 million of cash flow from operations, \$1.93 billion in gross proceeds from the issuance of our senior notes, bank debt and our revolving credit facilities and \$180.3 million of cash from aircraft sales.

As of February 28, 2021, the weighted average maturity of our secured and unsecured debt financings was 3.7 years and we are in compliance with all applicable covenants in our financings. We have also determined that as of February 28, 2021, our consolidated subsidiaries' restricted net assets, as defined by Rule 4-08(e)(3) of Regulation S-X, are less than 25% of our consolidated net assets.

We have agreed to defer some near-term lease payments with certain of our airline customers. As of April 15, 2021, we have agreed to defer approximately \$108.4 million in near-term lease payments with 26 airlines, which these airline customers have agreed to repay over time. If air traffic remains depressed over an extended period and if our customers are unable to obtain sufficient funds from private, government or other sources, we may need to extend further deferrals to some of our other customers or to extend the deferrals we have already made. We may ultimately be unable to collect all the amounts we have deferred. As of February 28, 2021, we hold \$80.7 million in security deposits, \$519.2 million in maintenance payments and \$151.5 million in letters of credit from our lessees.

We believe we have sufficient liquidity to meet our contractual obligations over the next twelve months and as of April 1, 2021, total liquidity of \$2.32 billion includes \$1.25 billion of undrawn credit facilities, \$609 million of unrestricted cash, \$123 million of contracted asset sales and \$340 million of projected operating cash flows through April 1, 2022. In addition, we believe payments received from lessees and other funds generated from operations, unsecured bond offerings, secured borrowings for aircraft, borrowings under our revolving credit facilities and other borrowings and proceeds from future aircraft sales will be sufficient to satisfy our liquidity and capital resource needs over the next twelve months. Our liquidity and capital resource needs include payments due under our aircraft purchase obligations, required principal and interest payments under our long-term debt facilities, expected capital expenditures, lessee maintenance payment reimbursements and lease incentive payments over the next twelve months.

Cash Flows

	Year Ended	
	February 28, 2021	December 31, 2019
	(Dollars in thousands)	
Net cash flow provided by operating activities	\$ 175,022	\$ 536,418
Net cash flow provided by (used in) investing activities	21,472	(784,029)
Net cash flow provided by financing activities	212,667	235,201

Operating Activities:

The COVID-19 pandemic has severely impacted the demand for air travel over the past twelve months, which has negatively impacted our customers' financial performance. The impact of the COVID-19 pandemic, together with lease concessions given to many of our airline customers in the form of lease rental deferrals, has resulted in slower cash collections during the year ended February 28, 2021.

Cash flow provided by operations was \$175.0 million for the year ended February 28, 2021 compared to \$536.4 million for the year ended December 31, 2019. The decrease in cash flow provided by operations of \$361.4 million was primarily a result of:

- a \$121.6 million decrease in cash due to lower lease rental revenue resulting from early lease terminations and the recognition of lease rental revenue for certain customers using a cash basis of accounting rather than an accrual method;
- a \$113.0 million decrease in cash resulting from an increase in accounts receivable and other assets, primarily due to deferred lease rentals;
- a \$73.6 million decrease in cash resulting from advance lease rentals recognized into revenue, primarily due to lease terminations; and
- a \$32.6 million decrease in cash due to higher banking and legal costs resulting from the Merger.

Investing Activities:

Cash flow provided by investing activities was \$21.5 million for the year ended February 28, 2021 as compared to cash flow used in investing activities of \$784.0 million for the year ended December 31, 2019. The net decrease in cash flow provided by investing activities of \$805.5 million for the year ended February 28, 2021 was primarily a result of a \$1.03 billion decrease in the acquisition and improvement of flight equipment offset by a \$181.4 million decrease in aircraft proceeds from the sale of flight equipment.

Financing Activities:

Cash flow provided by financing activities was \$212.7 million and \$235.2 million for the years ended February 28, 2021 and December 31, 2019, respectively. The decrease in cash flow provided by financing activities of \$22.5 million for the year ended February 28, 2021 was primarily a result of a \$183.9 million decrease in proceeds from secured and unsecured financings offset by a \$119.9 million decrease in repayments of secured and unsecured financings and \$11.2 million decrease in shares repurchased.

Debt Obligations

For complete information on our debt obligations, please refer to Note 7 – “Borrowings from Secured and Unsecured Debt” Financings in the Notes to Consolidated Financial Statements below.

Contractual Obligations

Our contractual obligations consist of principal and interest payments on debt financings, aircraft acquisitions and rent payments pursuant to our office leases. Total contractual obligations decreased to \$6.82 billion at February 28, 2021 from \$7.03 billion at December 31, 2019, due to a decrease in purchase obligations and principal payments for secured financings and borrowings under our revolving credit facilities, partially offset by an increase in principal payments for senior notes.

The following table presents our actual contractual obligations and their payment due dates as of February 28, 2021.

Contractual Obligations	Payments Due by Period as of February 28, 2021				
	Total	1 year or less	2-3 years	4-5 years	More than 5 years
	(Dollars in thousands)				
Principal payments:					
Senior Notes due 2022-2027	\$ 4,200,000	\$ 500,000	\$ 1,150,000	\$ 1,150,000	\$ 1,400,000
DBJ Term Loan	215,000	60,000	155,000	—	—
Revolving Credit Facilities	—	—	—	—	—
ECA Financings	36,423	14,847	15,517	6,059	—
Bank Financings	738,353	72,096	293,791	372,466	—
Total principal payments	5,189,776	646,943	1,614,308	1,528,525	1,400,000
Interest payments on debt obligations ⁽¹⁾	789,022	215,637	347,553	169,269	56,563
Office leases ⁽²⁾	13,028	1,928	3,506	3,531	4,063
Purchase obligations ⁽³⁾	825,119	199,990	473,804	151,325	—
Total	\$ 6,816,945	\$ 1,064,498	\$ 2,439,171	\$ 1,852,650	\$ 1,460,626

(1) Future interest payments on variable rate, LIBOR-based debt obligations are estimated using the interest rate in effect at February 28, 2021.

(2) Represents contractual payment obligations for our office leases in Stamford, Connecticut; Dublin, Ireland and Singapore.

(3) At February 28, 2021, we had commitments to acquire 25 new E-Jet E2 aircraft from Embraer S.A for \$825.1 million. These amounts include estimates for pre-delivery deposits, contractual price escalation and other adjustments. As of April 15, 2021, we have commitments to acquire 25 aircraft for \$825.1 million.

Capital Expenditures

From time to time, we make capital expenditures to maintain or improve our aircraft. These expenditures include the cost of major overhauls necessary to place an aircraft in service and modifications made at the request of lessees. For the years ended February 28, 2021, and December 31, 2019 and 2018, we incurred a total of \$26.6 million, \$31.8 million and \$9.3 million, respectively, of capital expenditures (including lease incentives) related to the acquisition and improvement of aircraft.

As of February 28, 2021, the weighted average age (by net book value) of our aircraft was 10.6 years. In general, the costs of operating an aircraft, including maintenance expenditures, increase with the age of the aircraft. Our lease agreements call for the lessee to be primarily responsible for maintaining the aircraft. We may incur additional maintenance and modification costs in the future in the event we are required to remarket an aircraft or a lessee fails to meet its maintenance obligations under the lease agreement. These maintenance reserves are paid by the lessee to provide for future maintenance events. Provided a lessee performs scheduled maintenance of the aircraft, we are required to reimburse the lessee for scheduled maintenance payments. In certain cases, we are also required to make lessor contributions, in excess of amounts a lessee may have paid, towards the costs of maintenance events performed by or on behalf of the lessee.

Actual maintenance payments to us by lessees in the future may be less than projected as a result of a number of factors, including defaults by the lessees. Maintenance reserves may not cover the entire amount of actual maintenance expenses incurred and, where these expenses are not otherwise covered by the lessees, there can be no assurance that our operational cash flow and maintenance reserves will be sufficient to fund maintenance requirements, particularly as our aircraft age. See Item 1A. “Risk Factors — Risks Related to Our Business — Risks related to our leases — *If lessees are unable to fund their maintenance obligations on our aircraft, we may incur increased costs at the conclusion of the applicable lease.*”

Off-Balance Sheet Arrangements

We entered into a joint venture arrangement in order to help expand our base of new business opportunities. This joint venture does not qualify for consolidated accounting treatment. The assets and liabilities of this entity are not included in our Consolidated Balance Sheets and we record our net investment under the equity method of accounting.

See Note 5 – “Unconsolidated Equity Method Investment” in the Notes to Unaudited Consolidated Financial Statements below.

We hold a 25% equity interest in our joint venture with Mizuho Leasing and as of February 28, 2021, the net book value of its nine aircraft was \$312.0 million.

Foreign Currency Risk and Foreign Operations

At February 28, 2021 all our leases are payable to us in U.S. dollars. However, we incur Euro- and Singapore dollar-denominated expenses in connection with our subsidiaries in Ireland and Singapore. For the year ended February 28, 2021, expenses, such as payroll and office costs, denominated in currencies other than the U.S. dollar aggregated \$20.3 million in U.S. dollar equivalents and represented approximately 21.7% of total selling, general and administrative expenses (or 26.2% when excluding share-based compensation expense, of which a large portion relates to employees domiciled in the U.S.). Our international operations are a significant component of our business strategy and permit us to more effectively source new aircraft, service the aircraft we own and maintain contact with our lessees. Therefore, it is likely that our international operations and our exposure to foreign currency risk will increase over time. Although we have not yet entered into foreign currency hedges because our exposure to date has not been significant, if our foreign currency exposure increases we may enter into hedging transactions in the future to mitigate this risk. For the years ended February 28, 2021, and December 31, 2019 and 2018, we incurred insignificant net gains and losses on foreign currency transactions.

Inflation

Inflation affects our lease rentals, asset values and costs, including SG&A expenses and other expenses. We do not believe that our financial results have been, or will be, adversely affected by inflation in a material way.

Management’s Use of EBITDA and Adjusted EBITDA

We define EBITDA as income (loss) from continuing operations before income taxes, interest expense, and depreciation and amortization. We use EBITDA to assess our consolidated financial and operating performance, and we believe this non-U.S. GAAP measure is helpful in identifying trends in our performance.

This measure provides an assessment of controllable expenses and affords management the ability to make decisions which are expected to facilitate meeting current financial goals, as well as achieving optimal financial performance. It provides an indicator for management to determine if adjustments to current spending decisions are needed.

EBITDA provides us with a measure of operating performance because it assists us in comparing our operating performance on a consistent basis as it removes the impact of our capital structure (primarily interest charges on our outstanding debt) and asset base (primarily depreciation and amortization) from our operating results. Accordingly, this metric measures our financial performance based on operational factors that management can impact in the short-term, namely the cost structure, or expenses, of the organization. EBITDA is one of the metrics used by senior management and the Board of Directors to review the consolidated financial performance of our business.

We define Adjusted EBITDA as EBITDA (as defined above) further adjusted to give effect to adjustments required in calculating covenant ratios and compliance as that term is defined in the indenture governing our senior unsecured notes. Adjusted EBITDA is a material component of these covenants.

The table below shows the reconciliation of net income to EBITDA for the year ended February 28, 2021, the two months ended February 29, 2020, and for the years ended December 31, 2019 and 2018, respectively.

	Year Ended February 28, 2021	Two Months Ended February 29, 2020	Year Ended December 31,	
			2019	2018
	(Dollars in thousands)			
Net income (loss)	\$ (333,168)	\$ 3,659	\$ 156,575	\$ 247,919
Depreciation	347,517	59,853	356,021	310,850
Amortization of lease premiums, discounts and incentives	22,842	3,669	22,636	15,269
Interest, net	235,338	41,038	258,070	234,504
Income tax provision	10,236	1,675	22,667	5,642
EBITDA	\$ 282,765	\$ 109,894	\$ 815,969	\$ 814,184
Adjustments:				
Impairment of flight equipment	425,579	62,657	7,404	—
Equity share of joint venture impairment	—	—	2,724	15,791
Loss on extinguishment of debt	2,640	3,955	7,577	—
Non-cash share-based payment expense	28,049	10,678	15,830	11,488
Merger related expenses ⁽¹⁾	35,165	321	7,886	—
Loss (gain) on mark-to-market of interest rate derivative contracts	19	96	4,771	(1,632)
Contract termination expense	172	—	—	—
Adjusted EBITDA	\$ 774,389	\$ 187,601	\$ 862,161	\$ 839,831

(1) Includes \$32.6 million in Other expense and \$2.6 million in Selling, general and administrative expenses.

Limitations of EBITDA and Adjusted EBITDA

An investor or potential investor may find EBITDA and Adjusted EBITDA important measures in evaluating our performance, results of operations and financial position. We use these non-U.S. GAAP measures to supplement our U.S. GAAP results in order to provide a more complete understanding of the factors and trends affecting our business.

EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be viewed in isolation or as substitutes for U.S. GAAP measures of earnings (loss). Material limitations in making the adjustments to our earnings (loss) to calculate EBITDA and Adjusted EBITDA, and using these non-U.S. GAAP measures as compared to U.S. GAAP net income (loss), income (loss) from continuing operations and cash flows provided by or used in operations, include:

- depreciation and amortization, though not directly affecting our current cash position, represent the wear and tear and/or reduction in value of our aircraft, which affects the aircraft's availability for use and may be indicative of future needs for capital expenditures;
- the cash portion of income tax (benefit) provision generally represents charges (gains), which may significantly affect our financial results;
- elements of our interest rate derivative accounting may be used to evaluate the effectiveness of our hedging policy; and
- adjustments required in calculating covenant ratios and compliance as that term is defined in the indenture governing our senior unsecured notes which may not be comparable to similarly titled measures used by other companies.

EBITDA and Adjusted EBITDA are not alternatives to net income (loss), income (loss) from operations or cash flows provided by or used in operations as calculated and presented in accordance with U.S. GAAP. You should not rely on these non-U.S. GAAP measures as a substitute for any such U.S. GAAP financial measure. We strongly urge you to

review the reconciliations to U.S. GAAP net income (loss), along with our consolidated financial statements included elsewhere in this report. We also strongly urge you to not rely on any single financial measure to evaluate our business. In addition, because EBITDA and Adjusted EBITDA are not measures of financial performance under U.S. GAAP and are susceptible to varying calculations, EBITDA and Adjusted EBITDA as presented in this report, may differ from and may not be comparable to similarly titled measures used by other companies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk is the exposure to loss resulting from changes in the level of interest rates and the spread between different interest rates. These risks are highly sensitive to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. We are exposed to changes in the level of interest rates and to changes in the relationship or spread between interest rates. Our primary interest rate exposures relate to our lease agreements, floating rate debt obligations and interest rate derivatives. Rent payments under our aircraft lease agreements typically do not vary during the term of the lease according to changes in interest rates. However, our borrowing agreements generally require payments based on a variable interest rate index, such as LIBOR. Therefore, to the extent our borrowing costs are not fixed, increases in interest rates may reduce our net income by increasing the cost of our debt without any corresponding increase in rents or cash flow from our securities.

Changes in interest rates may also impact our net book value as our interest rate derivatives are periodically marked-to-market through shareholders' equity. Generally, we are exposed to loss on our fixed pay interest rate derivatives to the extent interest rates decrease below their contractual fixed rate.

The relationship between spreads on derivative instruments may vary from time to time, resulting in a net aggregate book value increase or decrease. Changes in the general level of interest rates can also affect our ability to acquire new investments and our ability to realize gains from the settlement of such assets.

Sensitivity Analysis

The following discussion about the potential effects of changes in interest rates is based on a sensitivity analysis, which models the effects of hypothetical interest rate shifts on our financial condition and results of operations. Although we believe a sensitivity analysis provides the most meaningful analysis permitted by the rules and regulations of the SEC, it is constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by the inability to include the extraordinarily complex market reactions that normally would arise from the market shifts modeled. Although the following results of a sensitivity analysis for changes in interest rates may have some limited use as a benchmark, they should not be viewed as a forecast. This forward-looking disclosure also is selective in nature and addresses only the potential interest expense impacts on our financial instruments and, in particular, does not address the mark-to-market impact on our interest rate derivatives. It also does not include a variety of other potential factors that could affect our business as a result of changes in interest rates.

A hypothetical 100-basis point increase/decrease in our variable interest rates would increase/decrease the minimum contracted rentals on our portfolio as of February 28, 2021 by \$1.4 million and \$0.3 million, respectively, over the next twelve months. As of February 28, 2021, a hypothetical 100-basis point increase/decrease in our variable interest rate on our borrowings would result in an interest expense increase/decrease of \$4.3 million and \$1.1 million, respectively, net of amounts received from our interest rate derivatives, over the next twelve months. We have an interest rate cap to hedge a portion of our floating rate interest exposure which is set at 2% and has a current notional balance of \$225.0 million and reduces over time to \$215.0 million. The cap matures in September 2021.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and notes thereto, referred to in Item 15(A)(1) of this Annual Report, are filed as part of this Annual Report and appear in this Annual Report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) as appropriate, to allow timely decisions regarding required disclosure. An evaluation was performed under the supervision and with the participation of the Company’s management, including the CEO and CFO, of the effectiveness of the Company’s disclosure controls and procedures as of February 28, 2021. Based on that evaluation, the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective as of February 28, 2021.

Management's Annual Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an assessment of the effectiveness of our internal control over financial reporting as of February 28, 2021. The assessment was based on criteria established in the Internal Control — Integrated Framework (2013), issued by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of February 28, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended February 28, 2021, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Pursuant to Item 401(b) of Regulation S-K, the requisite information pertaining to our executive officers is reported immediately following Item 4 of Part I of this Annual Report. The identification of our Audit Committee and our Audit Committee financial experts will be contained under the captions "CORPORATE GOVERNANCE - Committees of the Board of Directors - The Audit Committee" in our 2020 Proxy Statement to be filed in connection with our 2020 Annual Meeting (the "2020 Proxy Statement") or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report. Information regarding our Code of Business Ethics and Conduct, any material amendments thereto and any related waivers will be contained under the captions "CORPORATE GOVERNANCE - Code of Business Conduct and Ethics" in our 2020 Proxy Statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report. Any information required by Item 405 of Regulation S-K will be contained under the caption "OWNERSHIP OF THE COMPANY'S COMMON SHARES - Delinquent Section 16(a) Reports" in our 2020 Proxy Statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report. All of the foregoing information is incorporated herein by reference. The Code of Business Conduct and Ethics is posted on our website at www.aircastle.com under Investors - Corporate Governance.

Information about our Directors. In connection with the Merger and effective immediately after the Effective Time, the members of the board of directors of the Company (the "Board") are Douglas A. Hacker, Michael J. Inglese, Takashi Kurihara, Charles W. Pollard, Taro Kawabe, Takayuki Sakakida and Noriyuki Yukawa.

Name	Age
Douglas A. Hacker	65
Michael J. Inglese	60
Taro Kawabe	53
Takashi Kurihara	60
Charles W. Pollard	63
Takayuki Sakakida	49
Noriyuki Yukawa	62

Douglas A. Hacker was appointed to our Board on March 27, 2020 following the consummation of the Merger and served on the prior Board of Aircastle Limited from August 2, 2006 to the consummation of the Merger. Mr. Hacker is currently an independent business executive and formerly served as Executive Vice President, Strategy for UAL Corporation, an airline holding company, and has served in such position from December 2002 to May 2006. Prior to that, Mr. Hacker served with UAL Corporation as President, UAL Loyalty Services from September 2001 to December 2002, and as Executive Vice President and Chief Financial Officer from July 1999 to September 2001. Mr. Hacker served as a director of Travelport from 2016 until May 2019. Mr. Hacker serves as a director or trustee of a series of open-end investment companies that are part of the Columbia family of mutual funds and as lead independent director of SpartanNash Company ("SpartanNash"). In March 2021, the nominating and corporate governance committee of SpartanNash nominated Mr. Hacker to serve as the Chairman of SpartanNash Company.

Michael J. Inglese was appointed a member of our Board on March 27, 2020 following the consummation of the Merger and served on the prior Board of Aircastle Limited from June 2017 to the consummation of the Merger. He became our Chief Executive Officer in June 2017, having served as Aircastle's Acting Chief Executive Officer from January 2017. He was previously our Chief Financial Officer from April 2007 to January 2017. Prior to joining the Company, Mr. Inglese served as Chief Financial Officer of PanAmSat Holding Corporation from June 2000 until the closing of PanAmSat's sale to Intelsat in July 2006. Mr. Inglese joined PanAmSat in May 1998 as Vice President, Finance after serving as Chief Financial Officer for DIRECTV Japan, Inc. He is a Chartered Financial Analyst who holds a BS in Mechanical Engineering from Rutgers University College of Engineering and his MBA from Rutgers Graduate School of Business Management.

Taro Kawabe was appointed to our Board on March 27, 2020 following the consummation of the Merger. Mr. Kawabe is currently an Executive Officer, Chief Operating Officer of Finance and Leasing Business Division of

Marubeni. Previously, he was Senior Operating Officer of Finance and Leasing Business Division of Marubeni from April 2019 to March 2020. Prior to that, Mr. Kawabe was the General Manager of the Leasing Business Department of Marubeni from April 2016 to March 2019. Mr. Kawabe joined Marubeni in April 1990. Mr. Kawabe received his degree from Waseda University in 1990.

Takashi Kurihara was appointed to our Board on March 27, 2020 following the consummation of the Merger and served on the prior Board of Aircastle Limited from May 2019 to the consummation of the Merger, and was nominated by Marubeni. Mr. Kurihara is the Advisor to the President of Marubeni America Corporation. From January 2017 to March 2019, Mr. Kurihara was a director of Agricultural Solutions Business Division of Bridgestone. Prior to that, Mr. Kurihara was Deputy General Manager, Regional Coordination and Administration Department at Marubeni from April 2016 to September 2016. From July 2013, he was Vice President and a Board member of Gavilon Agriculture Investment until April 2015, when Mr. Kurihara became Executive Vice President and a Board member of Gavilon Agriculture Investment. Mr. Kurihara received his MBA at Columbia Business School in New York and his bachelor degree of political science at Keio University in Tokyo. Mr. Kurihara has over 30 years' experience at Marubeni including the structured finance for Energy & Chemical plant projects in various countries, the management of the investment decision making process by conducting the analysis and the recommendation to its CEO, various M&A activities including Gavilon and its post-merger integration, and brings to the Board extensive experience in operations, strategic planning and financial matters.

Charles W. Pollard was appointed to our Board on March 27, 2020 following the consummation of the Merger and served on the prior Board of Aircastle Limited from July 6, 2010 to the consummation of the Merger. Mr. Pollard joined Omni Air International, Inc., a passenger charter carrier, in 1997, where he served variously as Managing Director, President and CEO, and Vice Chairman until 2009. Previously he spent ten years in senior management positions, including President and CEO, at World Airways, Inc. Prior to joining World Airways, Inc., he practiced corporate law at Skadden, Arps, Slate, Meagher & Flom. He currently serves on the board of directors of Allegiant Travel Company.

Takayuki Sakakida was appointed to our Board on March 27, 2020 upon the consummation of the Merger and served on the prior Board of Aircastle Limited from June 9, 2017 to the consummation of the Merger, and was nominated by Marubeni. In April 2019, Mr. Sakakida was appointed as General Manager, Finance & Leasing Business Dept. – II, Marubeni. In April 2017, Mr. Sakakida was appointed as Vice President and General Manager, Aerospace and Ship Unit, Marubeni America Corporation, which is a subsidiary of Marubeni, a general trading company, engaged as an intermediary, importer/exporter, facilitator or broker in various types of trade between and among business enterprises and countries. In April 2016, Mr. Sakakida was appointed as Assistant General Manager, Aerospace and Defense Systems Department, Marubeni. From April 2015 to April 2016, he served as General Manager, Business Administration Section, Aerospace and Defense Systems Department of Marubeni. From April 2011 to 2015, he seconded to MD Aviation Capital Pte Ltd (Singapore) as Managing Director. Mr. Sakakida has over twelve years' experience in the aviation industry and brings to the Board extensive experience in operations, strategic planning and financial matters relevant to the aviation industry. He maintains high-level contacts with major manufacturers in the aviation industry as well as Asian airlines which may in the future be customers of the Company.

Noriyuki Yukawa was appointed to our Board on March 27, 2020 following the consummation of the Merger. Mr. Yukawa is currently an Advisor at Mizuho Leasing, and from April 2013 until March 2020, he also held the title of Managing Executive Officer. From April 2017 to March 2020, he led the Aviation, Finance and Real Estate Departments, and from April 2013 to March 2017 he was in charge of Real Estate. Prior to joining Mizuho Leasing in April 2009, Mr. Yukawa had a 28 year career at Mizuho Bank. His roles included General Manager of the M&A Advisory Division, Joint General Manager of the M&A Finance Division, and Deputy General Manager of the Real Estate Finance Division, as well as an Executive Assistant for the Chairman of the Board. Mr. Yukawa received a Master of Comparative Laws from the University of Illinois, College of Law and a Bachelor of Law from the University of Tokyo. Mr. Yukawa is also a member of the Board of Directors of PLM Fleet LLC.

Information about our Executive Officers. The names of the executive officers of the Company and their ages, titles and biographies may be found in: Information about our Executive Officers.

Code of Business Conduct and Ethics. To help ensure that the Company abides by applicable corporate governance standards, our Board has adopted a Code of Business Conduct and Ethics and a Code of Ethics for Chief Executive and Senior Financial Officers, which are posted on our website at <http://www.aircastle.com> under "Investors—Governance Documents" and which are available in print to any shareholder of the Company upon request.

Audit Committee of the Board of Directors. After the Effective Time, Takashi Kurihara (Chairman), Noriyuki Yukawa and Douglas A. Hacker were designated as members of the Audit Committee.

ITEM 11. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Given that we changed our fiscal year in 2020 to begin on March 1 and end on the last day of February of each year, all references herein to a year shall mean our fiscal year unless otherwise noted. Our 2020 fiscal year began on March 1, 2020 and ended on February 28, 2021.

This Compensation Discussion and Analysis describes and analyzes our executive compensation philosophy and programs. This Compensation Discussion and Analysis focuses on the compensation paid for our 2020 fiscal year and the transition period from January 1, 2020, to February 29, 2020 (the “Transition Period”) to our current Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers, together referred to as our named executive officers, or NEOs. For 2020, our NEOs were:

Named Executive Officer	Title
Michael J. Inglese	Chief Executive Officer
Aaron A. Dahlke	Chief Financial Officer
Douglas C. Winter	Chief Commercial Officer
Christopher L. Beers	Chief Legal Officer & Secretary
Roy Chandran	Chief Strategy Officer

Pay for Performance Philosophy

We believe executive compensation should be tied to Company performance weighted in favor of long-term performance, and our compensation program for 2020 and the Transition Period rewarded executives and employees in two areas:

- **Annual Corporate Performance:** Achievement of internal corporate financial metrics focused on: (i) adjusted return on equity; (ii) cash flow per share; and (iii) growth through new investments; and
- **Individual Performance:** Achievement of individual performance goals set at the beginning of each year.

For 2020, we made annual incentive compensation awards, comprised of a cash bonus and restricted cash award, the payment and vesting of which were based on a mix of corporate performance and individual performance. For more highly compensated employees, including our NEOs, achievement of corporate financial metrics carried a greater weighting relative to individual performance, as illustrated in the table below:

Position	Corporate Performance	Individual Performance
CEO	85%	15%
Other NEOs	80%	20%

2020 Corporate Financial Metrics. We based corporate performance targets on the Company’s business plan and established a performance range for each metric. Results below the low end of each range would not yield any contribution to the Company’s incentive compensation pool for that metric. Conversely, performance above target would result in an enhanced contribution to the Company’s incentive compensation pool, up to a 200% contribution at the upper end of the performance range for each metric. For 2020, we established the following targets, performance ranges and relative weightings for the three financial metrics:

Metric	2020 Target	Performance Range	Weighted Score
Adjusted return on equity ⁽¹⁾	9.49 %	25%-150%	25%
Cash flow ⁽²⁾	\$ 537.20	85%-115%	50%
Net investments ⁽³⁾ (in billions)	\$ 1.40	50%-150%	25%

(1) Adjusted Return on Equity is Adjusted Net Income divided by the average shareholders’ equity. Adjusted Net Income, or ANI, is net income before certain expenses related to our financings and interest rate derivative accounting, and other items we have deemed unusual when viewed in the context of our ongoing business. Our presentation of ANI may not be comparable to similarly-titled measures used by other companies. A reconciliation between non-GAAP performance metrics and U.S. GAAP results is included as Appendix A to this Form 10-K.

(2) Cash Flow for a period is Cash Flow from Operations before changes in working capital plus principal payments from our finance leases and distributions from our joint venture investment. A reconciliation between non-GAAP performance metrics and U.S. GAAP results is included as Appendix A to this Form 10-K.

(3) New Investments measures the total annual amount invested in aviation assets.

Individual and Functional Performance Goals and Compensation. We set individual performance goals for every employee at the beginning of each year and measure each employee’s performance against those goals at the end of the year to determine incentive compensation levels. For 2020, we determined incentive pay for each employee by applying the weighted corporate and individual performance. We set individual bonus targets based on an employee’s function, role and seniority within the organization, among other factors. For 2020, for our executive officers, annual incentive compensation will be paid out in the form of cash and restricted cash awards. For additional retention purposes, the restricted cash awards vest over three years, subject to continued service with us through such period.

Compensation Overview

For 2020 and the Transition Period, there were three primary elements of total direct compensation: base salary, annual cash bonus, annual restricted cash award.

Base Salary. Base salaries provide fixed compensation and allow us to attract and retain talented management. We set base salaries for our named executive officers and review them periodically by taking into account the current market environment and the responsibilities, experience, value to the Company and demonstrated performance of our named executive officers.

Annual Incentive Compensation. As discussed below, we make incentive compensation awards based on the Company’s performance against corporate financial metrics, performance against individual performance goals, and, if applicable, functional performance goals for each year.

Long-Term Incentive Plan. As a result of the global pandemic and its impact on the commercial aviation industry in 2020, no long-term performance awards (“LTIP”) were granted. In connection with the Merger and in lieu thereof, restricted cash awards vesting on February 15, 2021 were awarded to certain senior professionals, including our NEOs, in an amount equal to 1/3 of the target dollar amount of LTIP awarded in 2019.

Other Compensation. We also offered NEOs severance payments and accelerated vesting of restricted cash awards in certain circumstances, as described in greater detail below in the section entitled “Potential Payments upon Termination or Change in Control.” Severance and change in control benefits provide transitional assistance for separated employees and are essential to recruiting and retaining talented executives in a competitive market. In addition, our NEOs are also eligible to participate in our employee benefit plans, including medical, dental, life insurance and 401(k) plans. These plans are available to all employees and do not discriminate in favor of our named executive officers.

Recoupment Policy. In January 2016, we adopted a clawback policy covering certain incentive compensation awarded to our executive officers. The policy requires reimbursement of incentive payments awarded to an executive

officer based upon financial results that were subsequently the subject of a restatement due to the Company's material noncompliance with financial reporting requirements. The amount of reimbursement would be to the extent that a lower payment would have been awarded to the executive based on the restated financial results. The policy applies to all incentive compensation awarded or paid to an executive officer in the three years prior to the restatement, even if the executive officer did not engage in conduct which contributed to the restatement. In addition, we may seek to recover any portion of incentive compensation when we determine that an executive officer engaged in a certain misconduct, namely involving: (i) material acts of fraud or dishonesty in connection with employment by the Company; (ii) willfully not complying with material policies or procedures of the Company; or (iii) the commission of a felony or a crime involving material dishonesty.

Summary. The primary goals of our compensation programs are to attract, motivate and retain the most talented and dedicated employees and to align incentive compensation.

What We Don't Pay or Provide

- Individual contractual rights to change in control benefits based on a single trigger;
- Deferred compensation plans;
- Company cars or aircraft;
- Individual contractual rights to income tax gross-ups; and
- Special or enhanced pension or retirement programs.

2020 Compensation

Performance versus Corporate Financial Metrics. In 2020, the Company's performance against its corporate financial metrics resulted in an incentive compensation pool equal to 0% of the total target as a result of the COVID-19 pandemic and its acute impact on the commercial aviation industry.

Metric	2020 Target	Weighting	2020 Performance	Performance Range	Performance	Weighted Score
Adjusted Return on Equity ⁽¹⁾	9.49 %	25%	(14.60)%	25% - 150%	— %	— %
Cash flow ⁽¹⁾	\$ 537.20	50%	\$ 376.40	85% - 115%	— %	— %
New investments (in billions)	\$ 1.40	25%	\$ 0.18	50% - 150%	— %	— %
Total						— %

(1) A reconciliation between non-GAAP performance metrics and U.S. GAAP results is included as Appendix A to this Form 10-K.

Pursuant to the Merger Agreement, annual incentive awards prior to the Merger could be paid in cash and at target bonus levels. Pre-Merger annual bonuses could be paid at target and in cash to our bonus eligible employees, including our NEOS, but only for the Transition Period. Annual bonus awards for our fiscal year 2020 were determined solely by corporate and individual performance levels. Based on the foregoing and given the corporate performance achievement of 0%, the Compensation Committee took the following actions for our NEOs. For the Transition Period, our NEO received their base salaries and have been awarded pro-rata bonuses at target levels paid in cash.

Named Executive Officer	2020 Incentive Compensation ⁽¹⁾	Pre-Merger Bonus Payable in Cash at Target
Michael J. Inglese	\$101,250 cash and \$202,500 restricted cash grant	\$337,500 cash
Aaron A. Dahlke	\$96,000 cash and \$96,000 restricted cash grant	\$133,333 cash
Douglas C. Winter	\$120,000 cash and \$120,000 restricted cash grant	\$166,667 cash
Christopher L. Beers	\$120,000 cash and \$120,000 restricted cash grant	\$166,667 cash
Roy Chandran	\$96,000 cash and \$96,000 restricted cash grant	\$133,333 cash

(1) All restricted cash awards are expected to be granted in April 2021 and will vest in equal installments on March 15, 2022, 2023 and 2024.

How We Make Decisions

Risk. The Compensation Committee reviews the risks and rewards associated with the Company's compensation programs. We believe that our compensation programs encourage prudent business judgment and appropriate risk-taking, with the overall goal of building sustainable and profitable growth.

We believe none of our compensation programs create risks that are reasonably likely to have a material adverse impact on the Company. Base salary is a fixed amount that does not encourage risk taking.

Role of Executive Officers. For 2020, the Committee set the corporate financial metrics at the beginning of the year based on the annual business plan endorsed by the Board. We set performance goals for the Chief Executive Officer, who in turn established individual performance goals for the other NEOs. Regularly during the year, the senior management team presented to us the Company's actual performance against the corporate performance metrics. We shared these discussions with the full Board on a regular basis.

Tax Implications of Our Compensation

The Tax Cuts and Jobs Act, enacted on December 22, 2017, substantially modified Section 162(m) of the Internal Revenue Code and, among other things, eliminated the performance-based exception to the \$1 million deduction limit effective as of January 1, 2018. As a result, beginning in 2018, compensation paid to certain executive officers in excess of \$1 million will generally be nondeductible, whether or not it is performance-based. In addition, beginning in 2018, the executive officers subject to Section 162(m) (the "Covered Employees") will include any individual who served as the CEO or Chief Financial Officer ("CFO") at any time during the taxable year and the three other most highly compensated officers (other than the CEO and CFO) for the taxable year, and once an individual becomes a Covered Employee for any taxable year beginning after December 31, 2016, that individual will remain a Covered Employee for all future years.

The Tax Cuts and Jobs Act includes a transition rule under which the changes to Section 162(m) described above will not apply to compensation payable pursuant to a written binding contract that was in effect on November 2, 2017, and is not materially modified after that date. To the extent applicable to our pre-Merger contracts and awards, the Compensation Committee might have availed itself of this transition rule. However, to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Compensation Committee does not limit its actions with respect to executive compensation to preserve deductibility under Section 162(m) if the Compensation Committee determines that doing so is in the best interests of the Company. Effective as of the closing of the Merger, Section 162(m) no longer applied to the Company.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board is currently comprised of three Directors and operates pursuant to a written charter, which is available at <http://www.aircastle.com> under "Investors—Governance Documents."

The Compensation Committee is primarily responsible for reviewing, approving and overseeing the Company's compensation plans and practices and works with management to establish the Company's executive compensation philosophy and programs.

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management and based on that review and discussion, has recommended to the Board that it be included in this Form 10-K.

Respectfully submitted,
The Compensation Committee

Charles W. Pollard, Chair
Takashi Kurihara
Michael J. Inglese

Summary Compensation Table for 2020

The table below sets forth information regarding 2020 (FY), the Transition Period (“2020 (2mo)”), 2019 and 2018 compensation for each of our NEOs.

Name and Principal Position	Fiscal Year	Salary	Awards ⁽¹⁾				Total
			Bonus	Annual Equity Award ⁽³⁾	Long Term Incentive Plan ⁽³⁾	All Other Compensation ⁽⁴⁾	
Michael J. Inglese	2020 (FY)	\$ 675,000	\$ 1,076,868	\$ —	\$ —	\$ 12,840	\$ 1,764,708
Chief Executive Officer	2020 (2mo)	112,500	469,123	—	—	2,140	583,763
	2019	675,000	717,930	1,522,966	7,717,531	126,114	10,759,541
	2018	675,000	935,550	1,091,583	3,442,058	110,288	6,254,479
Aaron A. Dahlke	2020 (FY)	400,000	344,331	—	—	12,840	757,171
Chief Financial Officer	2020 (2mo)	66,667	181,349	—	—	2,140	250,156
	2019	400,000	425,440	449,194	1,860,818	42,543	3,177,995
	2018	400,000	554,400	312,330	755,710	32,874	2,055,314
Douglas C. Winter	2020 (FY)	500,000	506,803	—	—	21,527	1,028,330
Chief Commercial Officer	2020 (2mo)	83,333	233,631	—	—	2,094	319,058
	2019	337,180	531,800	696,850	1,090,700	44,767	2,701,297
	2018	—	—	—	—	—	—
Christopher L. Beers	2020 (FY)	500,000	506,803	—	—	13,250	1,020,053
Chief Legal Officer & Secretary	2020 (2mo)	83,333	233,631	—	—	2,208	319,172
	2019	500,000	531,800	567,047	3,155,948	65,010	4,819,805
	2018	500,000	693,000	420,396	1,444,308	71,564	3,129,268
Roy Chandran⁽⁵⁾	2020 (FY)	400,000	344,331	—	—	12,840	757,171
Chief Strategy Officer	2020 (2mo)	66,667	181,349	—	—	2,140	250,156
(formerly EVP Corporate Finance & Strategy)	2019	400,000	425,440	454,826	1,880,591	43,279	3,204,136
	2018	400,000	562,400	312,330	761,238	34,944	2,070,912

(1) The amounts reported in the Annual Equity Award column for 2019 and 2018 reflect, in part, the aggregate fair value on the grant date of the restricted share awards granted to our NEOs determined in accordance with FASB ASC Topic 718. The amounts reported in the Long-Term Incentive Plan column for 2019 and 2018 reflect, in part, the aggregate fair value on the grant date of the AROE PSUs and the TSR PSUs granted to our NEOs determined in accordance with FASB ASC Topic 718 based on the probable achievement of the applicable AROE and TSR performance conditions as of the grant date. The aggregate fair value on the grant date that would have been included for the AROE PSUs and TSR PSUs, assuming that the highest level of the performance conditions would be achieved, is as follows: Mr. Inglese \$2,475,000; Mr. Winter \$1,000,000; Mr. Dahlke \$600,000; Mr. Beers \$1,000,000; and Mr. Chandran \$600,000. For a summary of the assumptions made in the valuation of these awards, please see Note 8 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. Pursuant to SEC guidance, the amounts included in both of these columns also include the incremental fair value of certain restricted share awards and PSUs that were materially modified in December 2019 as a result of their accelerated vesting in connection with the 280G mitigation actions taken in connection with the Merger, as described in greater detail above. See “Grants of Plan-Based Awards for 2019” below for additional information regarding (i) the restricted share awards and PSUs made to our NEOs in 2019 and 2018 and (ii) the incremental fair value attributable to the awards that were materially modified in December 2019.

(2) Bonus compensation consists of: (i) cash bonuses; (ii) cash-based long-term incentive compensation awarded in 2020 with a one-year vesting period; and (iii) the portion of 2019 restricted cash awards vesting in 2020.

(3) Please refer to the Company's Form 10K/A for the year ended December 31, 2019, (filed April 22, 2020) for a description of the Annual Equity Awards and performance-based Long Term Incentive awards for the years 2019 and earlier. No Annual Equity Awards or performance-based Long Term Incentive awards were granted in fiscal year 2020 or the Transition period.

(4) The amounts reported in this column consist of Company contributions made to each named executive officer's 401(k) plan account and certain insurance premiums paid by the Company, in addition to \$8,960 paid to Douglas C. Winter as a dividend payment on unvested restricted common shares.”

(5) In March 2020, Mr. Chandran was promoted to Chief Strategy Officer.

Stock Vested for 2020

The following table summarizes the restricted share awards and performance share units held by our NEOs that vested in connection with the closing of the Merger during the fiscal year ended February 28, 2021:

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting (US\$) ⁽¹⁾
Michael J. Inglese	207,914	\$ 6,653,248
Aaron A. Dahlke	50,404	1,612,928
Douglas C. Winter	112,006	3,584,192
Christopher L. Beers	120,594	3,859,008
Roy Chandran	72,820	2,330,240

(1) The aggregate dollar value realized is calculated based on the US\$32.00 per share price of our common shares on March 26, 2020, the last business day preceding the closing of the Merger.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following table and summary set forth potential amounts payable to our NEOs upon termination of employment or a change in control, as described below. The table below reflects amounts payable to our NEOs assuming termination of employment on February 28, 2021:

Name and Principal Position	Voluntary resignation by executive	Termination by us for cause	Termination by us without cause	Termination by us without cause or by executive for good reason following change in control ⁽¹⁾	Termination by executive for good reason	Normal retirement	Death or Disability
<u>Michael J. Inglese</u>							
Cash Severance	\$ —	\$ —	\$ 1,350,000	\$ 2,700,000	\$ 1,350,000	\$ —	\$ —
COBRA Reimbursement	—	—	52,743	52,743	52,743	—	52,743
Vacation	72,692	72,692	72,692	72,692	72,692	72,692	72,692
Remainder of 2019 Restricted Cash Award	—	—	478,620	478,620	478,620	—	478,620
<u>Aaron A. Dahlke</u>							
Cash Severance	—	—	800,000	1,600,000	800,000	—	—
Pro-rata Bonus (assumes February 27 termination)	—	—	400,000	400,000	400,000	—	400,000
COBRA Reimbursement	—	—	52,743	52,743	52,743	—	52,743
Vacation	43,077	43,077	43,077	43,077	43,077	43,077	43,077
Remainder of 2019 Restricted Cash Award	—	—	141,813	141,813	141,813	—	141,813
<u>Douglas C. Winter</u>							
Cash Severance	—	—	1,000,000	2,000,000	1,000,000	—	—
Pro-rata Bonus (assumes February 27 termination)	—	—	500,000	500,000	500,000	—	500,000
COBRA Reimbursement	—	—	52,743	52,743	52,743	—	52,743
Vacation	53,846	53,846	53,846	53,846	53,846	53,846	53,846
Remainder of 2019 Restricted Cash Award	—	—	177,267	177,267	177,267	—	177,267
<u>Christopher L. Beers</u>							
Cash Severance	—	—	1,000,000	2,000,000	1,000,000	—	—
Pro-rata Bonus (assumes February 27 termination)	—	—	500,000	500,000	500,000	—	500,000
COBRA Reimbursement	—	—	52,743	52,743	52,743	—	52,743
Vacation	53,846	53,846	53,846	53,846	53,846	53,846	53,846
Remainder of 2019 Restricted Cash Award	—	—	177,267	177,267	177,267	—	177,267
<u>Roy Chandran</u>							
Cash Severance	—	—	800,000	1,600,000	800,000	—	—
Pro-rata Bonus (assumes February 27 termination)	—	—	400,000	400,000	400,000	—	400,000
COBRA Reimbursement	—	—	52,743	52,743	52,743	—	52,743
Vacation	43,077	43,077	43,077	43,077	43,077	43,077	43,077
Remainder of 2019 Restricted Cash Award	—	—	141,813	141,813	141,813	—	141,813

As described below in the section entitled “Employment Agreements with NEOs,” we, through our subsidiary, Aircastle Advisor LLC, have entered into employment agreements (as amended) with our named executive officers which set forth certain terms and conditions of their employment relating to termination and termination payments.

Under the employment agreements for our named executive officers:

- if the employment of such named executive officer is terminated without “cause” or with “good reason” (as defined in such employment agreement), and if he signs a general release of claims and complies with the covenants described below, then he will be entitled to receive:
 - (i) an amount equal to the sum of the base salary

and target annual cash bonus for the year of termination, payable over a one-year period (two times such amount and payable in a lump sum if the termination occurs within 120 days prior to or within two years following a “change in control” as defined in such employment agreement); (ii) a pro-rata annual bonus for the year of termination; (iii) reimbursement of COBRA premiums for up to twelve months; and (iv) accelerated vesting of all outstanding restricted share awards;

- if any amounts to be paid to such named executive officer would constitute “excess parachute payments” subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, the amount will be reduced to the extent necessary to avoid the excise tax, but only if such reduction results in a higher after-tax payment to him; and
- such named executive officer covenants not to compete with Aircastle for six months following termination of his employment for any reason and will not solicit the employees of Aircastle or the clients or customers of Aircastle for competing business, in each case, for a period of twelve months following termination.

Each of the employment agreements were amended effective as of December 19, 2019 to provide that any grants of restricted cash awards in lieu of the annual PSU grants for 2020 and the equity-based portion of the annual bonuses in respect of 2019 will not constitute a good reason event for purposes of the employment agreements or for any other purpose.

Employment Agreements with NEOs

Through our subsidiary, Aircastle Advisor LLC, we have entered into an employment agreement (as amended) with each of our NEOs. These employment agreements generally provide for payment of an annual base salary and the executives’ eligibility to receive an annual cash bonus with indicated target annual cash bonus and equity incentive award levels.

Each employment agreement provides that the NEO is employed “at-will” and may be terminated at any time and for whatever reason by either us or him. A summary of the payments and benefits to be provided to the NEOs upon a termination of employment, along with a description of the restrictive covenants applicable to each NEO, is set forth below in the section entitled “Potential Payments upon Termination or Change in Control.”

Director Compensation

During 2020 and the Transition Period, cash compensation to the independent Directors for service on our Board is set forth in the table below. On the first business day of calendar year 2020, our independent Directors prior to the Merger received a restricted cash awards equal to \$135,000. These restricted cash award fully vested on the closing of Merger.

Our affiliated and management Directors are not separately compensated by us for their Board or committee service. All members of the Board were reimbursed for reasonable costs and expenses incurred in attending meetings of the Board or otherwise incurred in connection with carrying out their duties as Directors.

The table below describes our compensation of Directors during the Transition Period:

Name	Fees Earned	Restricted Cash Award	Total Compensation Earned for the Two Months Ended February 29, 2020
Ronald W. Allen	\$ 18,550	\$ 93,103	\$ 111,653
Giovanni Bisignani	15,117	93,103	108,220
Michael J. Cave	20,236	93,103	113,339
Douglas A. Hacker	34,455	93,103	127,558
Jun Horie ⁽¹⁾	—	—	—
Michael J. Inglese ⁽¹⁾	—	—	—
Takashi Kurihara ⁽¹⁾	—	—	—
Ronald L. Merriman	21,079	93,103	114,182
Agnes Mura	18,550	93,103	111,653
Charles W. Pollard	22,766	93,103	115,869
Takayuki Sakakida ⁽¹⁾	—	—	—
Peter V. Ueberroth	40,472	93,103	133,575

(1) Our affiliated and management Directors, Messrs. Inglese, Horie, Kurihara and Sakakida were not separately compensated by us for their Board or committee service.

The table below describes our compensation of Directors during the fiscal year ended February 28, 2021:

Name	Fees Earned	Restricted Cash Award	Total Compensation Earned for the Year Ended February 28, 2021
Ronald W. Allen	\$ 8,347	\$ 41,897	\$ 50,244
Giovanni Bisignani	6,830	41,897	48,727
Michael J. Cave	9,106	41,897	51,003
Douglas A. Hacker	177,195	41,897	219,092
Jun Horie ⁽¹⁾	—	—	—
Michael J. Inglese ⁽¹⁾	—	—	—
Taro Kawabe ⁽¹⁾	—	—	—
Takashi Kurihara ⁽¹⁾	—	—	—
Ronald L. Merriman	9,486	41,897	51,383
Agnes Mura	8,317	41,897	50,214
Charles W. Pollard	176,436	41,897	218,333
Takayuki Sakakida ⁽¹⁾	—	—	—
Peter V. Ueberroth	9,486	41,897	51,383
Noriyuki Yukawa ⁽¹⁾	—	—	—

(1) Our affiliated and management Directors, Messrs. Inglese, Kawabe, Kurihara, Sakakida, and Yukawa were not separately compensated by us for their Board or committee service.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information. The table below sets forth certain information as of December 31, 2019, the last day of the fiscal year, for (i) all equity compensation plans previously approved by our shareholders and (ii) all equity compensation plans not previously approved by our shareholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (C)
Equity compensation plans approved by security holders	798,001 ⁽¹⁾	—	3,948,503
Equity compensation plans not approved by security holders	—	—	—
Total			3,948,503

(1) Represents 798,001 common shares subject to outstanding PSU awards (assuming payout at maximum).

Security Ownership of Certain Beneficial Owners and Management. The table below sets forth information as of April 22, 2020 as to the beneficial ownership of our Common Shares.

Name and Address of Beneficial Owner	Common Shares Held	Percent of Class
Marubeni Corporation ⁽¹⁾ 7-1 Nihonbashi 2-chome Chuo-ku, Tokyo, 103-6060 Japan	7,024	50
MM Air Limited ⁽²⁾ c/o Compass Administration Services Ltd. Crawford House 50 Cedar Avenue Hamilton, HM11, Bermuda	7,024	50

(1) Marubeni beneficially owns 7,024 Common Shares through its wholly owned subsidiary MHC. On March 27, 2020, Aircastle consummated the Merger. At the Effective Time, each Common Share issued and outstanding immediately prior to the Effective Time (other than (i) shares canceled or converted into shares of the surviving company pursuant to the Merger Agreement and (ii) restricted shares canceled and exchanged pursuant to the Merger Agreement) was canceled and converted into the right to receive the Merger Consideration. The shares that were owned by MHC immediately prior to the Effective Time were converted into the same percentage of shares of the surviving company in the Merger. As a result, immediately following the Effective Time, MHC beneficially owned 28.8% of the outstanding common shares of the surviving company in the Merger, and MM Air Limited beneficially owned the remaining 71.2%. On March 27, 2020, MM Air Limited transferred 2,976 Common Shares to MHC, resulting in MHC owning 7,024 Common Shares.

(2) MM Air Limited beneficially owns 7,024 Common Shares. MM Air Limited is controlled by affiliates of Marubeni and Mizuho Leasing. On March 27, 2020, Aircastle consummated the Merger. At the Effective Time, each Common Share issued and outstanding immediately prior to the Effective Time (other than (i) shares canceled or converted into shares of the surviving company pursuant to the Merger Agreement (as described in footnote (1) above) and (ii) restricted shares canceled and exchanged pursuant to the Merger Agreement) was canceled and converted into the right to receive the Merger Consideration. The shares that were owned by MHC immediately prior to the Effective Time were converted into the same percentage of shares of the surviving company in the Merger. As a result, immediately following the Effective Time, MHC beneficially owned 28.8% of the outstanding common shares of the surviving company in the Merger, and MM Air Limited beneficially owned the remaining 71.2%. On March 27, 2020, MM Air Limited transferred 2,976 Common Shares to MHC, resulting in MM Air Limited owning 7,024 Common Shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Party Transactions

The following is a summary of material provisions of certain transactions we entered into with our executive officers, Directors or 5% or greater shareholders. We believe the terms and conditions set forth in such agreements were reasonable and customary for transactions of this type.

Marubeni Corporation Shareholder Agreement Amendment and Limited Waiver

On February 18, 2015, the Company, Marubeni and a subsidiary of Marubeni entered into an amendment and restatement of the Shareholder Agreement, which (i) modified the terms of the Shareholder Agreement to immediately permit acquisitions by Marubeni and its affiliates of voting securities of the Company in the secondary market pursuant to a Rule 10b5-1 plan that would result in Marubeni and its affiliates collectively holding more than 21.0%, but no more than 27.5% of the voting power of the Company and (ii) extended the term of the standstill provision of the Shareholder Agreement (the “Marubeni Standstill”) by eighteen months to January 2025. On September 23, 2016, the Company, Marubeni and a subsidiary of Marubeni entered into an amendment increasing the Change of Control threshold from 30% to 35%. On October 23, 2019, the Company granted Marubeni a limited waiver of the Marubeni Standstill solely to allow Marubeni, either alone or in concert with Mizuho Leasing, to make an offer or proposal to the Board or the Company’s senior management to acquire all of the outstanding Common Shares that Marubeni did not already own. The Shareholder Agreement terminated upon completion of the Merger.

Merger Agreement with Affiliates of Marubeni and Mizuho Leasing

On March 27, 2020, the Company was acquired by a newly-formed entity controlled by affiliates of Marubeni and Mizuho Leasing pursuant to the terms of the previously announced Merger Agreement and related Statutory Merger Agreement, by and among the Company, Parent and Merger Sub. Pursuant to the Merger, Merger Sub merged with and into the Company, with the Company as the surviving company in the Merger and becoming a privately-held company whose only shareholders are Marubeni Aviation Holding Coöperatief U.A., which is an indirect subsidiary of Marubeni, and Parent. Parent is controlled by affiliates of Marubeni and Mizuho Leasing.

At the Effective Time, subject to the terms and conditions of the Merger Agreement, the Common Shares of the Company (other than (i) shares canceled or converted into shares of the surviving company pursuant to the Merger Agreement and (ii) restricted shares canceled and exchanged pursuant to the Merger Agreement) were converted into the right to receive the Merger Consideration.

Policies and Procedures for Review, Approval or Ratification of Transactions with Related Persons

Our Board has adopted a Policy and Procedures with Respect to Related Person Transactions, our Related Person Policy. Pursuant to the terms of the Related Person Policy, the Audit Committee must review and approve in advance any transaction involving an affiliate or related party (as defined under Accounting Standards Codification Topic 850), in which the amount involved exceeds \$5,000,000, other than those that are pre-approved pursuant to pre-approval guidelines or rules that may be established by the Audit Committee to cover specific categories of transactions, including the guidelines described below. All Related Persons, as defined below, are required to report to our legal department any such related person transaction prior to its completion, and the legal department will determine whether it should be submitted to the Audit Committee for consideration.

Our Related Person Policy covers all transactions, arrangements or relationships (or any series of similar transactions, arrangements or relationships) in which the Company or any of its subsidiaries was, is or will be a participant, in which the amount involved exceeds \$120,000, and in which any Related Person had, has or will have a direct or indirect material interest.

A Related Person is any person who is, or at any time since the beginning of the Company’s last fiscal year was, a Director or executive officer of the Company or a nominee to become a Director of the Company; Marubeni and Mizuho Leasing or their affiliates; any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Director, executive officer, nominee or Marubeni and Mizuho Leasing or their affiliates, and any person (other than a tenant or employee) sharing the household of such Director, executive officer, nominee or Marubeni and Mizuho Leasing or their affiliates.

Director Independence

Prior to the consummation of the Merger, the Board was comprised of the following individuals: Ronald W. Allen, Giovanni Bisignani, Michael J. Cave, Douglas A. Hacker, Jun Horie, Michael J. Inglese, Takashi Kurihara, Ronald L. Merriman, Agnes Mura, Charles W. Pollard, Takayuki Sakakida, and Peter V. Ueberroth. The Board determined that Messrs. Allen, Bisignani, Cave, Hacker, Merriman, Pollard and Ueberroth and Ms. Mura were independent within the meaning of the NYSE director independence standards and SEC rules. In addition, the Board determined that all

members of the Audit (Messrs. Allen, Cave, Hacker and Merriman), Compensation (Messrs. Hacker, Merriman, Pollard and Ms. Mura) and Nominating and Corporate Governance Committees (Messrs. Bisignani, Pollard, Ueberroth and Ms. Mura) were independent within the meaning of the NYSE director independence standards and SEC rules. The Board previously determined, under the NYSE standards and SEC rules, that former Directors Hajime Kawamura and Gentaro Toya were not independent because of their affiliation with Marubeni.

Although the Common Shares are no longer listed on NYSE or any other national securities exchange and we are therefore not required to have a majority of independent directors, the Board considers the current Directors Messrs. Hacker and Pollard to be independent and that Directors Messrs. Inglese, Kawabe, Kurihara, Sakakida and Yukawa to be not independent. As a non-listed company, we do not have a standing nominating committee and our Audit (Messrs. Kurihara and Yukawa) and Compensation Committees (Messrs. Inglese and Kurihara) include non-independent Directors.

In addition, the Board considered transactions described above under “Item 13. Certain Relationships and Related Transactions, and Director Independence—Certain Relationships and Related Party Transactions” in making the independence determinations.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees, Audit Related Fees, Tax Fees and All Other Fees. In connection with the audit of the 2019 and 2020 financial statements, the Company entered into an engagement letter with Ernst & Young LLP (“EY”) which set forth the terms by which EY has performed audit services for the Company. The following summarizes the fees paid by us to EY for professional services rendered in 2020 and 2019:

	Twelve Months Ended February 28, 2021	Two Months Ended February 29, 2020 ⁽³⁾
Audit Fees ⁽¹⁾	\$ 2,168,000	\$ 450,000
Tax Fees ⁽²⁾	808,000	—
All Other Fees	5,200	—

(1) Represents fees for the audit of the Company’s consolidated financial statements and internal control over financial reporting, the reviews of interim financial statements included in the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, certain Current Reports on Form 8-K, audits of IBJ Air joint venture, consultations concerning financial accounting and reporting standards, statutory audits and services rendered relating to the Company’s registration statements.

(2) Represents fees related primarily to assistance with tax compliance matters, including international, federal and state tax return preparation, and consultations regarding tax matters.

(3) Estimate based on approved fees, subject to finalization upon completion of audit work.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has policies and procedures that require the pre-approval by the Audit Committee or one of its members of all services performed by the Company’s independent registered public accounting firm and related fee arrangements. In the early part of each year, the Audit Committee approves the proposed services, including the nature, type and scope of services contemplated, and the related fees, to be rendered by these firms during the year. In addition, pre-approval by the Audit Committee or one of its members is also required for those engagements that may arise during the course of the year that are outside the scope of the initial services and fees pre-approved by the Audit Committee pursuant to the Sarbanes-Oxley Act. In accordance with this policy, the Audit Committee pre-approved all services to be performed by the Company’s independent registered accounting firm.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (A) 1. Consolidated Financial Statements.
The following is a list of the “Consolidated Financial Statements” of Aircastle Limited and its subsidiaries included in this Annual Report on Form 10-K, which are filed herewith pursuant to Item 8:
Report of Independent Registered Public Accounting Firm.
Consolidated Balance Sheets as of February 28, 2021, February 29, 2020 and December 31, 2019.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the years ended February 28, 2021, two months ended February 29, 2020, and years ended December 31, 2019 and 2018 December 31, 2019, and 2018.
Consolidated Statements of Cash Flows for the year ended February 28, 2021, two months ended February 29, 2020, and years ended December 31, 2019 and 2018.
Consolidated Statements of Changes in Shareholders’ Equity for the year ended February 28, 2021, two months ended February 29, 2021, and years ended December 31, 2019 and 2018.
Notes to Consolidated Financial Statements.
2. Financial Statement Schedules.
There are no Financial Statement Schedules filed as part of this Annual Report, since the required information is included in the Consolidated Financial Statements, including the notes thereto, or the circumstances requiring inclusion of such schedules are not present.
3. Exhibits.
The exhibits filed herewith are listed on the Exhibit Index filed as part of this Annual Report on Form 10-K.

(B) EXHIBIT INDEX

Exhibit No.	Description of Exhibit
2.1	<u>Agreement and Plan of Merger, dated as of November 5, 2019, by and among Aircastle Limited, MM Air Limited and MM Air Merger Sub Limited (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K on filed November 7, 2019).</u> ^
3.1	<u>Memorandum of Association (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Amendment No. 2) (No. 333-134669) filed on July 25, 2006).</u>
3.2	<u>Amended Bye-laws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-3 (No. 333-182242) filed on June 20, 2012).</u>
3.3	<u>Amended and Restated Memorandum of Association of Aircastle Limited (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 27, 2020).</u>
3.4	<u>Amended and Restated Bye-laws of Aircastle Limited (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on March 27, 2020).</u>
4.1	<u>Specimen Share Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Amendment No. 2) (No. 333-134669) filed on July 25, 2006).</u>
4.2	<u>Indenture, dated as of April 4, 2012, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 5, 2012).</u>
4.3	<u>Indenture, dated as of November 30, 2012, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 30, 2012).</u>
4.4	<u>Amended and Restated Shareholder Agreement, dated as of February 18, 2015, by and between Aircastle Limited and Marubeni Corporation (incorporated by reference to Exhibit 4.8 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2015).</u>
4.5	<u>Amendment Agreement No. 1 to the Amended and Restated Shareholder Agreement, dated as of September 23, 2016, by and between Aircastle Limited and Marubeni Corporation (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 26, 2016).</u>
4.6	<u>Indenture, dated as of December 5, 2013, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee, Citigroup Global Markets, Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and RBC Capital Markets, LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 6, 2013).</u>
4.7	<u>First Supplemental Indenture, dated as of December 5, 2013, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 6, 2013).</u>
4.8	<u>Second Supplemental Indenture, dated as of March 26, 2014, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 26, 2014).</u>
4.9	<u>Third Supplemental Indenture, dated as of January 15, 2015, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 15, 2015).</u>
4.10	<u>Fourth Supplemental Indenture, dated as of March 24, 2016, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 24, 2016).</u>
4.11	<u>Fifth Supplemental Indenture, dated as of March 20, 2017, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 20, 2017).</u>

Exhibit No.	Description of Exhibit
4.12	<u>Sixth Supplemental Indenture, dated as of September 25, 2018, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 25, 2018).</u>
4.13	<u>Indenture, dated as of August 11, 2020, by and between Aircastle Limited and Wells Fargo Bank, National Association, as (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 11, 2020).</u>
4.14	<u>Indenture, dated as of January 26, 2021, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 26, 2021).</u>
4.15	<u>Description of Aircastle Limited's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.13 to the Company's Annual Report on Form 10-K filed on February 13, 2020).</u>
10.1	<u>Form of Restricted Share Purchase Agreement (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 333-134669) filed on June 2, 2006). #</u>
10.2	<u>Form of Amended Restricted Share Grant Letter under the Amended and Restated Aircastle Limited 2005 Equity and Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on March 5, 2010). #</u>
10.3	<u>Form of Amended Restricted Share Agreement for Certain Executive Officers under the Amended and Restated Aircastle Limited 2005 Equity and Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K filed on March 10, 2011). #</u>
10.4	<u>Form of Amended International Employee Restricted Share Unit Agreement under the Amended and Restated Aircastle Limited 2005 Equity and Incentive Plan (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K filed on March 5, 2010). #</u>
10.5	<u>Amended and Restated Aircastle Limited 2005 Equity and Incentive Plan (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-1 (Amendment No. 2) (No. 333-134669) filed on July 25, 2006). #</u>
10.6	<u>Letter Agreement, dated as of February 24, 2006, by and between Aircastle Advisor LLC and Joseph Schreiner (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (No. 333-134669) filed on June 2, 2006). #</u>
10.7	<u>Form of Employment Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 8, 2017). #</u>
10.8	<u>Form of Amendment to Executive Employment Agreement. #*</u>
10.9	<u>Form of Amended and Restated Indemnification Agreement with directors and officers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2011).</u>
10.10	<u>Registration Rights Agreement, dated as of April 4, 2012, by and among Aircastle Limited and Goldman, Sachs & Co., Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, as representatives of the several Initial Purchasers named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 5, 2012).</u>
10.11	<u>Share Purchase Agreement, dated as of August 7, 2012, by and among Aircastle Limited and the Fortress Shareholders named therein (incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed on August 13, 2012).</u>
10.12	<u>Registration Rights Agreement, dated as of November 30, 2012, by and among Aircastle Limited and J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co and RBC Capital Markets, LLC, as representatives of the several Initial Purchasers named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 30, 2012).</u>
10.13	<u>Third Amended and Restated Credit Agreement, dated as of March 28, 2016, by and among Aircastle Limited, the several lenders from time to time parties thereto, and Citibank N.A., in its capacity as agent for the lenders (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2016).</u>

Exhibit No.	Description of Exhibit
10.14	<u>Aircastle Limited 2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 23, 2014). #</u>
10.15	<u>Form of Restricted Share Agreement for Certain Executive Officers Under the Aircastle Limited 2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2014). #</u>
10.16	<u>Form of Non-Officer Director Restricted Share Agreement Under the Aircastle Limited 2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2014). #</u>
10.17	<u>Form of Performance Share Unit Agreement for Certain Executive Officers under the Aircastle Limited 2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2016). #</u>
10.18	<u>Form of Restricted Share Unit Agreement Under the Aircastle Limited 2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2017). #</u>
10.19	<u>Aircastle Limited Amended and Restated 2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed on May 25, 2017). #</u>
10.20	<u>Purchase Agreement COM0270-15, dated as of June 12, 2015, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2015). Ø</u>
10.21	<u>Amendment No. 1 to Purchase Agreement COM0270-15, dated as of June 22, 2016, by and between Aircastle Holding Corporation and Embraer S. A. (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed on February 14, 2017). Ø</u>
10.22	<u>Amendment No. 2 to Purchase Agreement COM0270-15, dated as of November 11, 2016, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed on February 14, 2017). Ø</u>
10.23	<u>Amendment No. 3 to Purchase Agreement COM0270-15, dated as of January 13, 2017, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed on February 14, 2017). Ø</u>
10.24	<u>Amendment No. 4 to Purchase Agreement COM0270-15, dated as of August 11, 2017, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017). Ø</u>
10.25	<u>Amendment No. 5 to Purchase Agreement COM0270-15, dated as of April 19, 2018, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2018). Ø</u>
10.26	<u>Amendment No. 6 to Purchase Agreement COM0270-15, dated as of June 29, 2018, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 1, 2018). Ø</u>
10.27	<u>Amendment No. 7 to Purchase Agreement COM0270-15, dated as of February 5, 2019, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2019). ØØ</u>
10.28	<u>Amendment No. 8 to Purchase Agreement COM0270-15, dated as of October 24, 2019, by and between Aircastle Holding Corporation and Embraer S.A. *ØØ</u>
10.29	<u>Amendment No. 1 to Letter Agreement COM0271-15 in Purchase Agreement COM0270-15, dated as of November 11, 2016, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K filed on February 14, 2017). Ø</u>
10.30	<u>Amendment No. 2 to Letter Agreement COM0271-15 in Purchase Agreement COM0270-15, dated as of August 11, 2017, by and between Aircastle Holding Corporation and Embraer S.A. (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2017). Ø</u>

Exhibit No.	Description of Exhibit
10.31	Amendment No. 3 to Letter Agreement COM0271-15 in Purchase Agreement COM0270-15, dated as of February 23, 2018, by and between Aircastle Holding Corporation and Embrarer S.A. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2018). Ø
10.32	Amendment No. 4 to Letter Agreement COM271-15 in Purchase Agreement COM0270-15, dated as of April 19, 2018, by and between Aircastle Holding Corporation and Embrarer S.A. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2018). Ø
10.33	Amendment No. 5 to Letter Agreement COM0270-15, dated as of October 24, 2019, by and between Aircastle Holding Corporation and Embrarer S.A. *ØØ
10.34	Letter Agreement, dated as of October 4, 2016, by and between Aircastle Advisor LLC and Aaron Dahlke (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 7, 2016). #
10.35	Retirement and Transition Agreement, dated September 17, 2018, for Michael L. Kriedberg (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 19, 2018). #
10.36	Voting and Support Agreement, dated as of November 5, 2019, by and among Aircastle Limited, Marubeni Corporation, Marubeni Aviation Corporation and Marubeni Aviation Holding Cooperatief U.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 7, 2019).
10.37	Form of Indemnification Agreement with directors and officers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 27, 2020).
21.1	Subsidiaries of the Subsidiaries of the Registrant * *
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 * Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 *
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 * the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 *
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 * of 2002 *
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 * Act of 2002 *
32.2	The following materials from the Company's Annual Report on Form 10-K for the year ended February 28, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of February 28, 2021, February 29, 2020 and December 31, 2019; (ii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the year ended February 28, 2021, the two months ended February 29, 2020, and the years ended December 31, 2019 and 2018; (iii) Consolidated Statements of Cash Flows for the year ended February 28, 2021, the two months ended February 29, 2020, and the years ended December 31, 2019 and 2018; (iv) Consolidated Statements of Changes in Shareholders' Equity for the year ended February 29, 2021, the two months ended February 29, 2020, and the years ended December 31, 2019 and 2018; and (v) Notes to Consolidated Financial Statements*
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

Management contract or compensatory plan or arrangement.

* Filed herewith.

Ø Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

^ Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted schedules to the SEC upon request.

ØØ Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

ITEM 16. FORM 10-K SUMMARY

None.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Aircastle Limited and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Aircastle Limited and Subsidiaries (the Company) as of February 28, 2021, February 29, 2020 and December 31, 2019, the related consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended February 28, 2021, December 31, 2019 and 2018 and the two-months ended February 29, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 28, 2021, February 29, 2020 and December 31, 2019, and the results of its operations and its cash flows for the years ended February 28, 2021, December 31, 2019 and 2018 and the two-months ended February 29, 2020 in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Recoverability assessment and Impairment of flight equipment held for lease

Description of the Matter

As more fully described in Note 1 to the consolidated financial statements, flight equipment held for lease is assessed for recoverability by management on an aircraft-by-aircraft basis annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As a result of the assessments during the two-month period ended February 29, 2020 and the year ended February 28, 2021, the Company recorded impairment charges of \$63 million and \$426 million respectively related to the flight equipment held for lease.

Auditing the Company's assessment of recoverability of flight equipment held for lease was complex and highly judgmental due to the higher estimation required in determining the future undiscounted cash flows to evaluate whether such cash flows were less than the carrying amount of flight equipment. Further, auditing this analysis also involved evaluating the assumptions utilized in estimating the fair values to calculate the impairment charges. In particular, the undiscounted future cash flows were sensitive to changes related to significant assumptions such as the estimation of the future projected lease rates and future maintenance cash flows, as well as the value of aircraft adjusted for maintenance condition at the end of the useful life. The calculation of impairment charges was sensitive to the changes of the weighted average cost of capital (WACC) used in the estimation of fair value.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's processes to determine whether the book value of each aircraft is recoverable. This included controls over management's review of the significant assumptions described above which are included in the Company's recoverability analysis.

To test the estimated undiscounted future cash flows attributable to the flight equipment held for lease, we performed audit procedures on a sample of transactions that included, among others, evaluating and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. Our testing of the Company's significant assumptions included, among others, comparing data to currently contracted lease rental and maintenance cash flows, evaluating future projected lease rates to third party data, evaluating the timing and cost of estimated future maintenance cash flows to manufacturers' specifications and/or historical data, recalculating end of life value of aircraft based on projected maintenance condition at the end of its useful life and comparing it to published third party and/or historical sales data. In addition, for the assumptions that most significantly impact recoverability we performed a sensitivity analysis to evaluate the changes to the undiscounted future cash flows from changes in the significant assumptions. We also involved our valuation specialists to assist in evaluating the reasonableness of the WACC rates and the fair value of certain assets used in the calculation of the impairment charges recorded. We considered current industry and economic trends and changes to the business. We assessed the historical accuracy of certain assumptions by performing a look back analysis.

Accounting for Income Tax

*Description of
the Matter*

The Company is incorporated in Bermuda and leases its aircraft within over 40 countries. The Company's income is subject to U.S. federal, state and local income taxes, as well as foreign income tax in many of the jurisdictions it leases aircraft. As more fully described in Note 10 to the consolidated financial statements, the Company recognized a consolidated provision for income taxes of \$2 million and of \$10 million for the two-month period ended February 29, 2020 and for the year ended February 28, 2021, respectively.

Auditing the Company's income tax accounting was complex due to the complicated international tax structure maintained by the Company. Specifically, the auditing of the application of changes in tax law and transactions to transfer, buy or sell aircraft in foreign jurisdictions required increased auditor effort, including the use of tax professionals with specialized skills, to evaluate the Company's application of the tax laws in relevant jurisdictions and the related income tax.

*How We
Addressed the Matter in
Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process to prepare the consolidated income tax provision. Our procedures also included, among others, an evaluation of management's review and consideration of the international tax structure, identification of changes to tax laws in the various jurisdictions in which it operates and its treatment of the transactions to transfer, buy and sell aircraft.

To test the income tax related accounts, we performed audit procedures that included, among others, understanding the Company's tax structure as it relates to current leases through review of its organization chart and various lease documents. We evaluated the Company's treatment of tax law changes, if any, in the foreign jurisdictions it operates to current tax laws. We also obtained, and assessed the completeness of, a list of transactions to transfer, purchase and sell aircraft during the period and evaluated the tax treatment of a sample of transactions through review of the lease documents and our assessment of the tax law. Our audit procedures were performed with the assistance of our tax professionals with specialized skills and knowledge.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2004.

Stamford, CT

April 21, 2021

Aircastle Limited and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands, except share data)

	February 28, 2021	February 29, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents	\$ 578,004	\$ 166,083	\$ 140,882
Restricted cash and cash equivalents	2,594	5,354	14,561
Accounts receivable	82,572	27,269	18,006
Flight equipment held for lease, net of accumulated depreciation of \$2,076,972, \$1,542,938 and \$1,501,664, respectively	6,492,471	7,142,987	7,375,018
Net investment in leases, net of allowance for credit losses of \$864, \$6,558 and \$0, respectively	195,376	426,252	419,396
Unconsolidated equity method investments	35,377	33,470	32,974
Other assets	311,944	206,617	201,209
Total assets	\$ 7,698,338	\$ 8,008,032	\$ 8,202,046
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Borrowings from secured financings, net of debt issuance costs	\$ 768,850	\$ 1,012,518	\$ 1,129,345
Borrowings from unsecured financings, net of debt issuance costs	4,366,261	3,884,235	3,932,491
Accounts payable, accrued expenses and other liabilities	174,267	207,114	172,114
Lease rentals received in advance	58,013	107,944	108,060
Security deposits	80,699	109,663	124,954
Maintenance payments	519,178	650,369	682,398
Total liabilities	5,967,268	5,971,843	6,149,362
Commitments and Contingencies			
SHAREHOLDERS' EQUITY			
Preference shares, \$0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding	—	—	—
Common shares, \$0.01 par value, 250,000,000 shares authorized, 14,048 shares issued and outstanding at February 28, 2021; 75,076,794 shares issued and outstanding at February 29, 2020; and 75,122,129 shares issued and outstanding at December 31, 2019	—	751	751
Additional paid-in capital	1,485,777	1,456,977	1,446,664
Retained earnings	245,293	578,461	605,269
Accumulated other comprehensive loss	—	—	—
Total shareholders' equity	1,731,070	2,036,189	2,052,684
Total liabilities and shareholders' equity	\$ 7,698,338	\$ 8,008,032	\$ 8,202,046

The accompanying notes are an integral part of these consolidated financial statements.

Aircastle Limited and Subsidiaries
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Dollars in thousands, except per share amounts)

	Year Ended February 28, 2021	Two Months Ended February 29, 2020	Year Ended December 31,	
			2019	2018
Revenues:				
Lease rental revenue	\$ 611,421	\$ 131,119	\$ 777,403	\$ 722,694
Direct financing and sales-type lease revenue	18,215	4,447	32,295	35,132
Amortization of lease premiums, discounts and incentives	(22,842)	(3,669)	(22,636)	(15,269)
Maintenance revenue	172,668	41,214	74,987	105,738
Total lease revenue	779,462	173,111	862,049	848,295
Gain on sale of flight equipment	33,536	15,354	45,532	36,766
Other revenue	19,290	9,183	10,357	5,290
Total revenues	832,288	197,648	917,938	890,351
Operating expenses:				
Depreciation	347,517	59,853	356,021	310,850
Interest, net	235,338	41,038	258,070	234,504
Selling, general and administrative (including non-cash share-based payment expense of \$28,049, \$10,678, \$15,830 and \$11,488, respectively)	93,671	23,189	77,034	76,025
Impairment of aircraft	425,579	62,657	7,404	—
Maintenance and other costs	20,005	1,703	24,828	8,961
Total operating expenses	1,122,110	188,440	723,357	630,340
Other income (expense):				
Loss on extinguishment of debt	(2,640)	(3,955)	(7,577)	—
Merger expenses	(32,605)	(321)	(7,372)	—
Other	(191)	(94)	(4,492)	1,636
Total other income (expense)	(35,436)	(4,370)	(19,441)	1,636
Income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investment	(325,258)	4,838	175,140	261,647
Income tax provision	10,236	1,675	22,667	5,642
Earnings (loss) of unconsolidated equity method investment, net of tax	2,326	496	4,102	(8,086)
Net income (loss)	\$ (333,168)	\$ 3,659	\$ 156,575	\$ 247,919
Net derivative loss reclassified into earnings	—	—	184	1,166
Other comprehensive income	—	—	184	1,166
Total comprehensive income (loss)	\$ (333,168)	\$ 3,659	\$ 156,759	\$ 249,085

The accompanying notes are an integral part of these consolidated financial statements.

Aircastle Limited and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year Ended February 28,	Two Months Ended February 29,	Year Ended December 31,	
	2021	2020	2019	2018
Cash flows from operating activities:				
Net income (loss)	\$ (333,168)	\$ 3,659	\$ 156,575	\$ 247,919
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	347,517	59,853	356,021	310,850
Amortization of deferred financing costs	14,791	2,446	14,578	14,627
Amortization of lease premiums, discounts and incentives	22,842	3,669	22,636	15,269
Deferred income taxes	6,506	1,453	20,223	(496)
Non-cash share-based payment expense	28,049	10,678	15,830	11,488
Cash flow hedges reclassified into earnings	—	—	184	1,166
Collections on direct financing and sales-type leases	16,859	5,658	25,842	—
Security deposits and maintenance payments included in earnings	(135,115)	(47,293)	(49,029)	(80,628)
Gain on the sale of flight equipment	(33,536)	(15,354)	(45,532)	(36,766)
Loss on extinguishment of debt	2,640	3,955	7,577	—
Impairment of aircraft	425,579	62,657	7,404	—
Provision for credit losses	5,258	288	—	—
Other	(2,305)	(402)	206	3,032
Changes on certain assets and liabilities:				
Accounts receivable	(57,292)	(6,377)	(13,162)	(12,328)
Other assets	(66,290)	5,786	2,594	5,065
Accounts payable, accrued expenses and other liabilities	(13,655)	10,205	(5,483)	10,526
Lease rentals received in advance	(53,658)	143	19,954	32,868
Net cash and restricted cash provided by operating activities	175,022	101,024	536,418	522,592
Cash flows from investing activities:				
Acquisition and improvement of flight equipment	(145,589)	(23,035)	(1,172,370)	(1,317,497)
Proceeds from sale of flight equipment	180,342	103,679	361,747	338,831
Net investment in direct financing and sales-type leases	—	—	—	(15,783)
Collections on direct financing and sales-type leases	—	—	—	29,961
Aircraft purchase deposits and progress payments, net of returned deposits and aircraft sales deposits	(13,024)	(4,614)	760	(15,494)
Unconsolidated equity method investment and associated costs	—	—	(15,175)	(3,350)
Distributions from unconsolidated equity method investment in excess of earnings	419	—	36,750	3,900
Other	(676)	(56)	4,259	4,745
Net cash and restricted cash provided by (used in) investing activities	21,472	75,974	(784,029)	(974,687)
Cash flows from financing activities:				
Repurchase of shares	(25,536)	(2,370)	(36,739)	(71,421)
Parent contribution at Merger	25,536	—	—	—
Proceeds from secured and unsecured debt financings	1,932,943	100,000	2,116,848	1,413,901
Repayments of secured and unsecured debt financings	(1,697,662)	(268,799)	(1,817,558)	(969,139)
Deferred financing costs	(12,832)	—	(13,800)	(11,642)
Debt extinguishment costs	(1,524)	(2,685)	(7,183)	—
Security deposits and maintenance payments received	87,510	29,806	202,833	203,925
Security deposits and maintenance payments returned	(71,743)	(16,956)	(117,872)	(90,803)
Dividends paid	(24,025)	—	(91,328)	(88,730)
Net cash and restricted cash provided by (used in) financing activities	212,667	(161,004)	235,201	386,091
Net increase (decrease) in cash and restricted cash	409,161	15,994	(12,410)	(66,004)
Cash and restricted cash at beginning of year	171,437	155,443	167,853	233,857
Cash and restricted cash at end of year	\$ 580,598	\$ 171,437	\$ 155,443	\$ 167,853

Aircastle Limited and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
(Dollars in thousands)

	Year Ended February 28, 2021	Two Months Ended February 29, 2020	Year Ended December 31,	
			2019	2018
Reconciliation to Consolidated Balance Sheets:				
Cash and cash equivalents	\$ 578,004	\$ 166,083	\$ 140,882	\$ 152,719
Restricted cash and cash equivalents	2,594	5,354	14,561	15,134
Unrestricted and restricted cash and cash equivalents	<u>\$ 580,598</u>	<u>\$ 171,437</u>	<u>\$ 155,443</u>	<u>\$ 167,853</u>
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest	\$ 241,011	\$ 21,487	\$ 246,026	\$ 214,350
Cash paid (received) during the year for income taxes	\$ 1,469	\$ (15)	\$ (656)	\$ 6,254
Supplemental disclosures of non-cash investing activities:				
Advance lease rentals, security deposits, maintenance payments, other liabilities and other assets settled in sale of flight equipment	\$ 70,716	\$ 7,873	\$ 90,397	\$ 71,837
Advance lease rentals, security deposits, maintenance payments, other liabilities and other assets assumed in asset acquisitions	\$ 29,869	\$ 16,693	\$ 31,958	\$ 63,432
Transfers from Flight equipment held for lease to Net investment in direct financing and sales-type leases and Other assets	\$ 90,352	\$ 31,821	\$ 104,838	\$ 11,202

The accompanying notes are an integral part of these consolidated financial statements.

Aircastle Limited and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(Dollars in thousands, except share amounts)

	Common Shares		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance, December 31, 2017	78,707,963	\$ 787	\$ 1,527,796	\$ 380,331	\$ (1,350)	\$ 1,907,564
Issuance of common shares to stockholders, directors and employees	423,202	4	(4)	—	—	—
Repurchase of common shares from stockholders, directors and employees	(3,676,654)	(37)	(71,384)	—	—	(71,421)
Amortization of share-based payments	—	—	10,523	—	—	10,523
Reclassification of prior year director stock award liability	—	—	1,848	—	—	1,848
Dividends declared	—	—	—	(88,730)	—	(88,730)
Net income	—	—	—	247,919	—	247,919
Adoption of accounting standard	—	—	—	(188)	—	(188)
Net derivative loss reclassified into earnings	—	—	—	—	1,166	1,166
Balance, December 31, 2018	75,454,511	\$ 754	\$ 1,468,779	\$ 539,332	\$ (184)	\$ 2,008,681
Issuance of common shares to stockholders, directors and employees	1,281,598	13	(13)	—	—	—
Repurchase of common shares from stockholders, directors and employees	(1,613,980)	(16)	(36,723)	—	—	(36,739)
Amortization of share-based payments	—	—	13,825	—	—	13,825
Reclassification of prior year director stock award liability	—	—	796	—	—	796
Dividends declared	—	—	—	(91,328)	—	(91,328)
Net income	—	—	—	156,575	—	156,575
Adoption of accounting standard	—	—	—	690	—	690
Net derivative loss reclassified into earnings	—	—	—	—	184	184
Balance, December 31, 2019	75,122,129	\$ 751	\$ 1,446,664	\$ 605,269	\$ —	\$ 2,052,684
Issuance of common shares to stockholders, directors and employees	28,568	1	(1)	—	—	—
Repurchase of common shares from stockholders, directors and employees	(73,903)	(1)	(2,369)	—	—	(2,370)
Amortization of share-based payments	—	—	10,678	—	—	10,678
Reclassification of prior year director stock award liability	—	—	2,005	—	—	2,005
Dividends declared	—	—	—	(24,025)	—	(24,025)
Net income	—	—	—	3,659	—	3,659
Adoption of accounting standard	—	—	—	(6,442)	—	(6,442)
Balance, February 29, 2020	75,076,794	\$ 751	\$ 1,456,977	\$ 578,461	\$ —	\$ 2,036,189
Amortization of share-based payments	—	—	28,049	—	—	28,049
Net loss	—	—	—	(333,168)	—	(333,168)
Payment of unvested shares at Merger	(101,809)	(1)	(25,535)	—	—	(25,536)
Parent contribution at Merger	—	—	25,536	—	—	25,536
Share cancellation and re-issuance at Merger	(74,960,937)	(750)	750	—	—	—
Balance, February 28, 2021	14,048	\$ —	\$ 1,485,777	\$ 245,293	\$ —	\$ 1,731,070

The accompanying notes are an integral part of these consolidated financial statements.

Aircastle Limited and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share amounts)

Note 1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

Aircastle Limited (“Aircastle,” the “Company,” “we,” “us” or “our”) is a Bermuda exempted company that was incorporated on October 29, 2004 under the provisions of Section 14 of the Companies Act of 1981 of Bermuda. Aircastle’s business is investing in aviation assets, including acquiring, leasing, managing and selling commercial jet aircraft.

On March 27, 2020, the Company successfully completed its merger (the “Merger”) and is now controlled by affiliates of Marubeni Corporation and Mizuho Leasing Company, Limited (“Mizuho Leasing”).

As previously disclosed, on September 30, 2020, the Company’s Board of Directors unanimously agreed to change the Company’s fiscal year end to the twelve-month period ending on the last day in February. This change better aligns the Company’s financial reporting period with the financial reporting cycle of its shareholders, Marubeni Corporation and Mizuho Leasing.

Aircastle is a holding company that conducts its business through subsidiaries. Aircastle directly or indirectly owns all the outstanding common shares of its subsidiaries. The consolidated financial statements presented are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The Company manages, analyzes and reports on its business and results of operations on the basis of one operating segment: leasing, financing, selling and managing commercial flight equipment. Our chief executive officer is the chief operating decision maker.

Effective January 1, 2020, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 326, Financial Instruments - Credit Losses (“ASC 326”). The standard applies to entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The standard affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and other financial assets not excluded from the scope that have the contractual right to receive cash. Net investment in leases comprised the Company’s financial asset principally affected by the standard. Operating lease receivables are not within the scope of ASC 326.

Upon the Company’s adoption of ASC 326, our net investment in leases was recorded in the consolidated financial statements net of an allowance for credit losses. This allowance for credit losses reflects the Company’s estimate of lessee default probabilities and loss given default percentages. The estimate of expected credit losses considers relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of reported amounts. Our allowance also considers the potential loss due to non-credit risk related to unguaranteed residual values. We adopted the standard using the “modified retrospective” approach with a January 1, 2020 adjustment to retained earnings. The adoption of the standard did not have a material impact on our consolidated financial statements or related disclosures.

Effective January 1, 2020, the Company adopted the FASB Accounting Standard Update (“ASU”) No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. The standard modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The adoption of the standard did not have a material impact on our consolidated financial statements or related disclosures.

Effective January 1, 2020, the Company adopted the FASB ASU No. 2018-15, Intangibles-Goodwill and Other- Internal-Use Software (Subtopic 350-40), Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract. The standard requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use-software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The adoption of the standard did not have a material impact on our consolidated financial statements or related disclosures.

Effective January 1, 2020, the Company adopted the FASB ASU No. 2018-17, Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities. The standard changes how all entities evaluate

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decision-making fees under the variable interest entity guidance. The standard is applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The adoption of the standard did not have a material impact on our consolidated financial statements or related disclosures.

The Company's management has reviewed and evaluated all events or transactions for potential recognition and/or disclosure subsequent to the balance sheet date of February 28, 2021 through the date on which the consolidated financial statements included in this Annual Report were issued.

Principles of Consolidation

The consolidated financial statements include the accounts of Aircastle and all its subsidiaries. Aircastle consolidates two Variable Interest Entities ("VIEs") of which Aircastle is the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation.

We consolidate VIEs in which we have determined that we are the primary beneficiary. We use judgment when deciding (a) whether an entity is subject to consolidation as a VIE, (b) who the variable interest holders are, (c) the potential expected losses and residual returns of the variable interest holders, and (d) which variable interest holder is the primary beneficiary. When determining which enterprise is the primary beneficiary, we consider (1) the entity's purpose and design, (2) which variable interest holder has the power to direct the activities that most significantly impact the entity's economic performance, and (3) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. When certain events occur, we reconsider whether we are the primary beneficiary of VIEs. We do not reconsider whether we are a primary beneficiary solely because of operating losses incurred by an entity.

Risk and Uncertainties

In the normal course of business, Aircastle encounters several significant types of economic risk including credit, market, aviation industry and capital market risks. Credit risk is the risk of a lessee's inability or unwillingness to make contractually required payments and to fulfill its other contractual obligations. Market risk reflects the change in the value of financings due to changes in interest rate spreads or other market factors, including the value of collateral underlying financings. Aviation industry risk is the risk of a downturn in the commercial aviation industry which could adversely impact a lessee's ability to make payments, increase the risk of unscheduled lease terminations and depress lease rates and the value of the Company's aircraft. Capital market risk is the risk that the Company is unable to obtain capital at reasonable rates to fund the growth of our business or to refinance existing debt facilities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. While Aircastle believes that the estimates and related assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Aircastle considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Restricted cash and cash equivalents consist primarily of rent collections, maintenance payments and security deposits received from lessees pursuant to the terms of various lease agreements held in lockbox accounts in accordance with our financings.

Virtually all our cash and cash equivalents and restricted cash and cash equivalents are held or managed by three major financial institutions.

Flight Equipment Held for Lease and Depreciation

Flight equipment held for lease is stated at cost and depreciated using the straight-line method, typically over a 25-year life from the date of manufacture for passenger aircraft and over a 30 to 35-year life for freighter aircraft, depending on whether the aircraft is a converted or purpose-built freighter, to estimated residual values. Estimated residual values are generally determined to be approximately 15% of the manufacturer's estimated realized price for passenger aircraft when new and 5% to 10% for freighter aircraft when new. Management may make exceptions to this policy on a case-by-case basis when, in its judgment, the residual value calculated pursuant to this policy does not appear to reflect current expectations of value. Examples of situations where exceptions may arise include but are not limited to:

- flight equipment where estimates of the manufacturer's realized sales prices are not relevant (e.g., freighter conversions);
- flight equipment where estimates of the manufacturer's realized sales prices are not readily available; and
- flight equipment which may have a shorter useful life due to obsolescence.

Major improvements and modifications incurred in connection with the acquisition of aircraft that are required to get the aircraft ready for initial service are capitalized and depreciated over the remaining life of the flight equipment.

For planned major maintenance activities for aircraft off-lease, the Company capitalizes the actual maintenance costs by applying the deferral method. Under the deferral method, we capitalize the actual cost of major maintenance events, which are depreciated on a straight-line basis over the period until the next maintenance event is required.

In accounting for flight equipment held for lease, we make estimates about the expected useful lives, the fair value of attached leases, acquired maintenance assets or liabilities and the estimated residual values. In making these estimates, we rely upon actual industry experience with the same or similar aircraft types and our anticipated lessee's utilization of the aircraft.

For purchase and lease back transactions, we account for the transaction as a single arrangement. We allocate the consideration paid based on the fair value of the aircraft and lease. The fair value of the lease may include a maintenance premium and a lease premium or discount.

When we acquire an aircraft with a lease, determining the fair value of attached leases requires us to make assumptions regarding the current fair values of leases for specific aircraft. We estimate a range of current lease rates of like aircraft in order to determine if the attached lease is within a fair value range. If a lease is below or above the range of current lease rates, we present value the estimated amount below or above the fair value range over the remaining term of the lease. The resulting lease discount or premium is amortized into lease rental income over the remaining term of the lease.

Impairment of Flight Equipment

We perform a recoverability assessment of all aircraft in our fleet, on an aircraft-by-aircraft basis annually during the second quarter. In addition, a recoverability assessment is performed whenever events or changes in circumstances, or indicators, suggest that the carrying amount or net book value of an asset may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination, significant change in aircraft model's storage levels, the introduction of newer technology aircraft or engines, an aircraft type is no longer in production or a significant airworthiness directive is issued. When we perform a recoverability assessment, we measure whether the estimated future undiscounted net cash flows expected to be generated by the aircraft exceed its net book value. The undiscounted cash flows consist of cash flows from currently contracted lease rental and maintenance payments, future projected lease rates, transition costs, estimated down time, estimated residual or scrap values for an aircraft, economic conditions and other factors. In the event that an aircraft does not meet the recoverability test, the aircraft will be adjusted to fair value, resulting in an impairment charge. See Note 2 – Fair Value Measurements.

Management develops the assumptions used in the recoverability analysis based on current and future expectations of the global demand for a particular aircraft type and historical experience in the aircraft leasing market and aviation industry, as well as information received from third party industry sources. The factors considered in estimating the

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undiscounted cash flows are impacted by changes in future periods due to changes in projected lease rental and maintenance payments, residual values, economic conditions, technology, airline demand for a particular aircraft type and other factors.

We are closely monitoring the impact of COVID-19 on our customers, air traffic, lease rental rates, and aircraft valuations, and have and will continue to perform additional customer and aircraft specific reviews should changes in facts and circumstances arise that may impact the recoverability of our aircraft. We will focus on our customers that have entered judicial insolvency proceedings and any additional customers that may become subject to similar-type proceedings, aircraft with near-term lease expirations, and certain aircraft variants that are more susceptible to the impact of COVID-19 and value deterioration.

Net Investment in Direct Financing and Sales-Type Leases

If a lease meets specific criteria at lease commencement or at the effective date of a lease modification, we recognize the lease as a direct financing or sales-type lease. The net investment in direct financing and sales-type leases consists of the lease receivable, estimated unguaranteed residual value of the lease flight equipment at lease-end and, for direct financing leases, deferred selling profit. For sales-type leases, we recognize the difference between the net book value of the aircraft and the net investment in the lease as a gain or loss on sale of flight equipment. Selling profit on a direct financing lease is deferred and amortized over the lease term, and a selling loss is recognized at lease commencement. Interest income on our net investment in leases is recognized as Direct financing and sales-type leases revenue over the lease term in a manner that produces a constant rate of return on the net investment in the lease.

The net investment in leases is recorded net of an allowance for credit losses. The allowance for credit losses is recorded upon the initial recognition of the net investment in the lease based on the Company's estimate of expected credit losses over the lease term. The allowance reflects the Company's estimate of lessee default probabilities and loss given default percentages. When determining the credit loss allowance, we consider relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the net investment in the lease. The allowance also considers potential losses due to non-credit risk related to unguaranteed residual values. A provision for credit losses is recorded as a component of Selling, general, and administrative expenses to adjust the allowance for changes to management's estimate of expected credit losses.

Unconsolidated Equity Method Investment

Aircastle accounts for its interest in an unconsolidated joint venture using the equity method as we do not control the joint venture entity. Under the equity method, the investment is initially recorded at cost and the carrying amount is affected by its share of the unconsolidated joint venture's undistributed earnings and losses, and distributions of dividends and capital. The investment may also reflect an equity loss in the event that circumstances indicate an other-than-temporary impairment.

Security Deposits

Most of our operating leases require the lessee to pay Aircastle a security deposit or provide a letter of credit. Security deposits represent cash received from the lessee that is held on deposit until lease expiration or termination. If a lease is terminated, we recognize security deposits in excess of outstanding lease payments as other revenue.

Maintenance Payments

Typically, under an operating lease, the lessee is responsible for performing all maintenance but they may also be required to make payments to us for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft. These maintenance payments are based on hours or cycles of utilization or on calendar time, depending upon the component, and are required to be made monthly in arrears or at the end of the lease term. Whether to permit a lessee to make maintenance payments at the end of the lease term, rather than requiring such payments to be made monthly, depends on a variety of factors, including the creditworthiness of the lessee, the level of security deposit which may be provided by the lessee and market conditions at the time we enter into the lease. If a lease requires monthly maintenance payments, we would typically be obligated to reimburse the lessee for costs they incur for heavy maintenance, overhaul

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or replacement of certain high-value components to the extent of maintenance payments received in respect of the specific maintenance event, usually shortly following completion of the relevant work. If a lease requires end of lease term maintenance payments, typically the lessee would be required to pay us for its utilization of the aircraft during the lease; however, in some cases, we may owe a net payment to the lessee in the event heavy maintenance is performed and paid for by the lessee during the lease term and the aircraft is returned to us in better condition than at lease inception.

We record monthly maintenance payments by the lessee as accrued maintenance payments liabilities in recognition of our contractual commitment to refund such receipts. In these contracts, we typically do not recognize such maintenance payments as maintenance revenue during the lease. Reimbursements to the lessee upon the receipt of evidence of qualifying maintenance work are charged against the existing accrued maintenance payments liability. We currently defer maintenance revenue recognition of most monthly maintenance payments until we are able to determine the amount, if any, by which the monthly maintenance payments received from a lessee exceed costs to be incurred by that lessee in performing heavy maintenance, which generally occurs at or near the end of the lease. End of lease term maintenance payments made to us are recognized as maintenance revenue, and end of lease term maintenance payments we make to a lessee are recorded as contra maintenance revenue.

Lease Incentives and Amortization

Many of our leases contain provisions which may require us to pay a portion of the lessee's costs for heavy maintenance, overhaul or replacement of certain high-value components. We account for these expected payments as lease incentives, which are amortized as a reduction of revenue over the life of the lease. We estimate the amount of our portion for such costs, typically for the first major maintenance event for the airframe, engines, landing gear and auxiliary power units, expected to be paid to the lessee based on assumed utilization of the related aircraft by the lessee, the anticipated amount of the maintenance event cost and the estimated amounts the lessee is responsible to pay. The assumptions supporting these estimates are re-evaluated annually.

This estimated lease incentive is not recognized as a lease incentive liability at the inception of the lease. We recognize the lease incentive as a reduction of lease revenue on a straight-line basis over the life of the lease, with the offset being recorded as a lease incentive liability which is included in maintenance payments on the balance sheet. The payment to the lessee for the lease incentive liability is first recorded against the lease incentive liability, and any excess above the lease incentive liability is recorded as a prepaid lease incentive asset, which is included in other assets on the balance sheet and continues to amortize over the remaining life of the lease.

Lease acquisition costs related to reconfiguration of the aircraft cabin, other lessee specific modifications and other direct costs are capitalized and amortized into revenue over the initial life of the lease, assuming no lease renewals, and are included in other assets.

Income Taxes

Aircastle uses an asset and liability based approach in accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statement and tax basis of existing assets and liabilities using enacted rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount estimated by us to be realizable. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. We did not have any unrecognized tax benefits.

Lease Revenue Recognition

We lease flight equipment under net operating leases with lease terms typically ranging from three to seven years. We generally do not offer renewal terms or purchase options in our leases, although certain of our operating leases allow the lessee the option to extend the lease for an additional term. Operating leases with fixed rentals and step rentals are recognized on a straight-line basis over the term of the initial lease, assuming no renewals. Operating lease rentals that adjust based on a London Interbank Offered Rate ("LIBOR") index are recognized on a straight-line basis over the lease

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term using the prevailing rate at lease commencement. Changes to rate-based lease rentals are recognized in the statements of income (loss) in the period of change.

In certain instances, we may provide lease concessions to customers, generally in the form of lease rental deferrals. While these deferral arrangements affect the timing of lease rental payments, the total amount of lease rental payments required over the lease term is generally the same as that which was required under the original lease agreement. We account for the deferrals as if no modifications to the lease agreements were made and record the deferred rentals as a receivable within Other assets.

If we determine that the collectability of rental payments is no longer probable (including any deferral thereof), we recognize lease rental revenue using a cash basis of accounting rather than an accrual method. In the period we conclude that collection of lease payments is no longer probable, we recognize any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, as a current period adjustment to lease rental revenue.

COVID-19 has had an unprecedented negative impact on the global economy, and in particular on the aviation sector. As a result of COVID-19, there has been a dramatic slowdown in air traffic, with many markets in near complete shutdown. According to the International Air Transport Association (“IATA”), as of February 2021, air travel was down to approximately 30% of normal levels and a full recovery to pre-pandemic levels is not expected for several years. Substantially all the world’s airlines are experiencing financial difficulties and liquidity challenges. While we believe the long-term demand for air travel will return to historical trends over time, the near-term impacts of COVID-19’s economic shock are material; the extent and duration of which cannot currently be determined.

Airlines have been seeking to preserve liquidity through a combination of requesting government support, raising debt and equity, delaying or canceling new aircraft orders, furloughing employees, as well as requesting deferrals from lessors. We have agreed to defer near-term lease payments with certain of our airline customers, which they are obliged to repay over time. As of April 15, 2021, we have agreed to defer approximately \$108,400 in near-term lease payments of which approximately \$87,400 are included in Accounts receivable or Other assets as of February 28, 2021. This represents approximately 17% of Lease rental and Direct financing and sales-type lease revenues for the twelve months ended February 28, 2021. These deferrals have been agreed to with 26 airlines, representing 35% of our customer base, for an average deferral of five months of lease rentals. In certain situations, we have agreed to broader restructurings of contractual terms, for example obtaining better security packages, term extensions, or other valuable considerations in exchange for short-term economic concessions.

If air traffic remains depressed over an extended period and if our customers are unable to obtain sufficient funds from private, governmental or other sources, we may need to grant additional deferrals to our customers or extend the periods of repayment for deferrals we have already made. We may ultimately not be able to collect all the amounts we have deferred.

As of April 15, 2021, seven of our customers are subject to judicial insolvency proceedings or similar protection. We lease 23 aircraft to these customers, which comprise 14% of our net book value of flight equipment (including Flight equipment held for lease and Net investment in leases) and 12% of our Lease rental and direct financing and sales-type lease revenue as of and for the year ended February 28, 2021. One of these customers is LATAM, our second largest customer, which represents 8% of our net book value of flight equipment and 6% of our Lease rental revenue as of and for the year ended February 28, 2021. Based on historic experience, the judicial process can take anywhere from twelve months to eighteen months to be resolved. We are actively engaged in the various judicial proceedings to protect our economic interests. As a result of these proceedings, the recognition of lease rental revenue for certain customers may be done on a cash basis of accounting rather than the accrual method depending on the customers lease security arrangements.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other gains and losses, net of income taxes, if any, affecting shareholders’ equity that, under U.S. GAAP, are excluded from net income (loss).

Share-Based Compensation

Aircastle recognized compensation cost relating to share-based payment transactions in the financial statements based on the fair value of the equity instruments issued. Aircastle used the straight-line method of accounting for compensation cost on share-based payment awards that contained pro-rata vesting provisions.

Deferred Financing Costs

Deferred financing costs, which are included in borrowings from secured and unsecured financings, net of debt issuance costs, in the Consolidated Balance Sheets, are amortized using the interest method for amortizing loans over the lives of the relevant related debt.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The standard applies to entities that have contracts, such as debt agreements, lease agreements or derivative instruments, which reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. Entities can elect not to apply certain modification accounting requirements for contract modifications that replace a reference rate affected by reference rate reform. If elected, such contracts are accounted for as a continuation of the existing contract and no reassessments or re-measurements are required. The standard is effective for all entities from March 12, 2020 through December 31, 2022 and does not apply to contract modifications made after December 31, 2022. We have not adopted ASC 848 and are currently evaluating the election available to us under the standard and the impact it may have on our financial statements.

In April 2020, the FASB Staff issued a question-and-answer document (the “Q&A”) regarding accounting for lease concessions related to the effects of the COVID-19 pandemic. The Q&A provides that entities may elect to apply or not apply the lease modification guidance in ASC 842, “Leases,” for lease concessions provided by lessors as a result of the COVID-19 pandemic. The Company has elected not to apply the lease modification guidance in ASC 842 for such lease concessions – see “Lease Revenue Recognition” above.

Note 2. Fair Value Measurements

Fair value measurements and disclosures require the use of valuation techniques to measure fair value that maximize the use of observable inputs and minimize use of unobservable inputs. These inputs are prioritized as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities or market corroborated inputs.
- Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants price the asset or liability.

The valuation techniques that may be used to measure fair value are as follows:

- The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- The income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectation about those future amounts.
- The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

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The following tables set forth our financial assets and liabilities as of February 28, 2021, February 29, 2020 and December 31, 2019 that we measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

	Fair Value as of February 28, 2021	Fair Value Measurements at February 28, 2021 Using Fair Value Hierarchy			Valuation Technique
		Level 1	Level 2	Level 3	
Assets:					
Cash and cash equivalents	\$ 578,004	\$ 578,004	\$ —	\$ —	Market
Restricted cash and cash equivalents	2,594	2,594	—	—	Market
Total	\$ 580,598	\$ 580,598	\$ —	\$ —	

	Fair Value as of February 29, 2020	Fair Value Measurements at February 29, 2020 Using Fair Value Hierarchy			Valuation Technique
		Level 1	Level 2	Level 3	
Assets:					
Cash and cash equivalents	\$ 166,083	\$ 166,083	\$ —	\$ —	Market
Restricted cash and cash equivalents	5,354	5,354	—	—	Market
Derivative assets	19	—	19	—	Market
Total	\$ 171,456	\$ 171,437	\$ 19	\$ —	

	Fair Value as of December 31, 2019	Fair Value Measurements at December 31, 2019 Using Fair Value Hierarchy			Valuation Technique
		Level 1	Level 2	Level 3	
Assets:					
Cash and cash equivalents	\$ 140,882	\$ 140,882	\$ —	\$ —	Market
Restricted cash and cash equivalents	14,561	14,561	—	—	Market
Derivative assets	115	—	115	—	Market
Total	\$ 155,558	\$ 155,443	\$ 115	\$ —	

Our cash and cash equivalents, along with our restricted cash and cash equivalents, consist largely of money market securities that are highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy. Our interest rate derivative included in Level 2 consists of United States dollar-denominated interest rate cap, and its fair value is based on the market comparisons for similar instruments. We also considered the credit rating and risk of the counterparty providing the interest rate cap based on quantitative and qualitative factors.

For the years ended February 28, 2021, the two months ended February 29, 2020 and the year ended December 31, 2019, we had no transfers into or out of Level 3.

We measure the fair value of certain assets and liabilities on a non-recurring basis, when U.S. GAAP requires the application of fair value, including events or changes in circumstances that indicate the carrying amounts of these assets may not be recoverable. Assets subject to these measurements include our investment in unconsolidated joint ventures and aircraft. We record aircraft at fair value when we determine the carrying value may not be recoverable. Fair value measurements for aircraft in impairment tests are based on the average of the market approach that uses Level 2 inputs, which include third party appraisal data and an income approach that uses Level 3 inputs, which include the Company's assumptions and appraisal data as to future cash proceeds from leasing and selling aircraft discounted using the Company's weighted average cost of capital.

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We account for our investment in unconsolidated joint ventures under the equity method of accounting. Investments are recorded at cost and are adjusted by undistributed earnings and losses and the distributions of dividends and capital. These investments are also reviewed for impairment whenever events or changes in circumstances indicate the fair value is less than its carrying value and the decline is other-than-temporary.

Aircraft Valuation

Impairment of Flight Equipment

During the year ended February 28, 2021, the Company recorded impairment charges totaling \$425,579, of which \$378,247 were transactional impairments, which primarily related to seventeen narrow-body and eight wide-body aircraft. The Company recognized \$157,014 of maintenance revenue and security deposits into revenue related to these 25 aircraft during the year ended February 28, 2021. The impairment charges were attributable to early lease terminations, scheduled lease expirations, lessee defaults and/or judicial insolvency proceedings, or as a result of our annual recoverability assessment – refer to the section below for additional details.

In February 2020, the Company initiated a process to accept the redelivery of four wide-body aircraft prior to their scheduled lease expirations due to a lessee default. As a result, the Company recorded impairment charges of \$62,657 and recognized \$47,367 of maintenance revenue and security deposits into revenue during the first two months of 2020.

During the year ended December 31, 2019, the Company recognized net maintenance revenue of \$17,554 related to the early lease terminations of seven narrow-body aircraft due to lessee default. We recorded impairment charges of \$7,404 related to two of these seven narrow-body aircraft. We did not record any transactional impairments during 2018.

Annual Recoverability Assessment

We completed our annual recoverability assessment of our aircraft in the second quarter. Of the \$425,579 impairment charges recorded for the year ended February 28, 2021, we recorded \$43,041 related to one narrow-body and one wide-body aircraft as a result our annual recoverability assessment. Although we have completed our annual recoverability assessment, we continue to monitor the developments of COVID-19. We are closely monitoring the impact of COVID-19 on our customers, air traffic, lease rental rates, and aircraft valuations, and have and will continue to perform additional customer and aircraft specific reviews should changes in facts and circumstances arise that may impact the recoverability of our aircraft. We have and will focus on our customers that have entered judicial insolvency proceedings and any additional customers that may become subject to similar-type proceedings, aircraft with near-term lease expirations, and certain aircraft variants that are more susceptible to the impact of COVID-19 and value deterioration.

The recoverability assessment is a comparison of the carrying value of each aircraft to its undiscounted expected future cash flows. We develop the assumptions used in the recoverability assessment, including those relating to current and future demand for each aircraft type, based on management's experience in the aircraft leasing industry, as well as information received from third-party sources. Estimates of the undiscounted cash flows for each aircraft type are impacted by changes in contracted and future expected lease rates, residual values, expected scrap values, economic conditions and other factors.

If our estimates or assumptions change, including those related to our customers that have entered judicial insolvency proceedings, we may revise our cash flow assumptions and record future impairment charges. While we believe that the estimates and related assumptions used in the annual recoverability assessment, and subsequent assessments, are appropriate, actual results could differ from those estimates.

Financial Instruments

Our financial instruments, other than cash, consist principally of cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, amounts borrowed under financings and interest rate derivatives. The fair value of cash, cash equivalents, restricted cash and cash equivalents, accounts receivable and accounts payable approximates the carrying value of these financial instruments because of their short-term nature.

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The fair value of our senior notes is estimated using quoted market prices. The fair values of all our other financings are estimated using a discounted cash flow analysis, based on our current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of our financial instruments at February 28, 2021, February 29, 2020 and December 31, 2019 are as follows:

	February 28, 2021		February 29, 2020		December 31, 2019	
	Carrying Amount of Liability	Fair Value of Liability	Carrying Amount of Liability	Fair Value of Liability	Carrying Amount of Liability	Fair Value of Liability
Credit Facilities	\$ —	\$ —	\$ 100,000	\$ 100,000	\$ 150,000	\$ 150,000
Unsecured Term Loan	215,000	210,290	215,000	215,000	215,000	215,000
ECA Financings	36,423	37,942	50,745	52,593	147,644	150,805
Bank Financings	738,353	740,086	971,693	1,002,620	993,593	1,010,482
Senior Notes	4,200,000	4,402,722	3,600,000	3,807,956	3,600,000	3,787,268

All of our financial instruments are classified as Level 2 with the exception of our senior notes, which are classified as Level 1.

Note 3. Lease Rental Revenues and Flight Equipment Held for Lease

Minimum future annual lease rentals contracted to be received under our existing operating leases of flight equipment at February 28, 2021 were as follows:

<u>Year Ended February 28/29,</u>	<u>Amount</u>
2022	\$ 649,983
2023	572,094
2024	506,232
2025	373,664
2026	224,947
Thereafter	323,066
Total	<u>\$ 2,649,986</u>

Geographic concentration of lease rental revenue earned from flight equipment held for lease was as follows:

<u>Region</u>	<u>Year Ended February 28,</u>	<u>Two Months Ended February 29,</u>	<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Asia and Pacific	40 %	43 %	43 %	36 %
Europe	31 %	26 %	27 %	28 %
Middle East and Africa	6 %	7 %	10 %	11 %
North America	12 %	11 %	9 %	9 %
South America	11 %	13 %	11 %	16 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The classification of regions in the table above and in the tables and discussion below is determined based on the principal location of the lessee of each aircraft.

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The following table shows the number of lessees with lease rental revenue of at least 5% of total lease rental revenue and their combined total percentage of lease rental revenue for the periods indicated:

	Year Ended February 28, 2021		Two Months Ended February 29, 2020		Year Ended December 31,			
	Number of Lessees	Combined % of Lease Rental Revenue	Number of Lessees	Combined % of Lease Rental Revenue	2019		2018	
					Number of Lessees	Combined % of Lease Rental Revenue	Number of Lessees	Combined % of Lease Rental Revenue
Largest lessees by lease rental revenue	4	30 %	3	21 %	2	16%	3	18%

The following table sets forth revenue attributable to individual countries representing at least 10% of total revenue (including maintenance revenue) based on each lessee's principal place of business for the periods indicated:

Country	Year Ended February 28, 2021		Two Months Ended February 29, 2020		Year Ended December 31,			
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	2019		2018	
					Revenue	% of Total Revenue	Revenue	% of Total Revenue
Brazil ⁽¹⁾	\$ —	— %	\$ —	— %	\$ —	— %	\$ 116,527	13 %
India ⁽²⁾	99,522	12 %	—	— %	115,865	13 %	—	— %
Indonesia ⁽³⁾	—	— %	25,373	13 %	—	— %	—	— %
Mexico ⁽⁴⁾	89,314	11 %	—	— %	—	— %	—	— %
South Africa ⁽⁵⁾	—	— %	50,781	26 %	—	— %	—	— %

- (1) For the year ended December 31, 2018, total revenue attributable to Brazil included \$72,242 of maintenance revenue due to early lease terminations as a result of lessee default. Total revenue attributable to Brazil was less than 10% for the years ended February 28, 2021 and December 31, 2019, and for the two months ended February 29, 2020.
- (2) For the year ended February 28, 2021 total revenue attributable to India included maintenance and other revenue, including early lease termination fees and security deposits recognized into revenue, totaling \$19,138. For the year ended December 31, 2019, total revenue attributable to India included maintenance revenue of \$14,915. Total revenue attributable to India was less than 10% for the year ended December 31, 2018 and for the two months ended February 29, 2020.
- (3) For the two months ended February 29, 2020, total revenue attributable to Indonesia included \$14,987 of gain on sale of flight equipment. Total revenue attributable to Indonesia was less than 10% for the years ended February 28, 2021, and December 31, 2019 and 2018.
- (4) For the year ended February 28, 2021, total revenue attributable to Mexico included maintenance and other revenue, including early lease termination fees and security deposits recognized into revenue, totaling \$79,799. Total revenue attributable to Mexico was less than 10% for the years ended December 31, 2019 and 2018, and for the two months ended February 29, 2020.
- (5) For the two months ended February 29, 2020, total revenue attributable to South Africa included \$47,367 of maintenance revenue and security deposits recognized into revenue. Total revenue attributable to South Africa was less than 10% for the years ended February 28, 2021, and December 31, 2019 and 2018.

Geographic concentration of net book value of flight equipment (including flight equipment held for lease and net investment in direct financing and sales-type leases, or "net book value") was as follows:

Region	February 28, 2021		February 29, 2020		December 31, 2019	
	Number of Aircraft	Net Book Value %	Number of Aircraft	Net Book Value %	Number of Aircraft	Net Book Value %
Asia and Pacific	79	37 %	90	38 %	94	38 %
Europe	92	27 %	99	27 %	99	26 %
Middle East and Africa	11	4 %	15	6 %	16	7 %
North America	28	12 %	40	13 %	40	13 %
South America	26	13 %	26	15 %	26	15 %
Off-lease	16 ⁽¹⁾	7 %	2 ⁽²⁾	1 %	3 ⁽³⁾	1 %
Total	252	100 %	272	100 %	278	100 %

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- (1) Consisted of one Airbus A320-200 and one Airbus A330-200 aircraft subject to executed leases with a customer in Europe, four Boeing 737-800 aircraft subject to executed leases or confirmed letters of intent with customers in Europe, one Boeing 737-800 aircraft consigned for sale and four Airbus A320-200, three Airbus A330-200, and two Boeing 737-800 aircraft which we are marketing for lease or sale.
- (2) Consisted of one Airbus A330-200 aircraft, which was delivered to a customer in Europe in August 2020, and one Boeing 737-800 aircraft, which is subject to a confirmed letter intent to lease with a customer in Europe.
- (3) Consisted of one Airbus A320-200 aircraft, which was delivered on lease to a customer in Europe in February 2020, one Airbus A330-200 aircraft, which was delivered to a customer in Europe in the second quarter of 2020, and one Boeing 737-800 aircraft, which was sold in February 2020.

The following table sets forth net book value of flight equipment (includes net book value of flight equipment held for lease and net investment in direct financing and sales-type leases) attributable to individual countries representing at least 10% of net book value of flight equipment based on each lessee's principal place of business as of:

Region	February 28, 2021			February 29, 2020			December 31, 2019		
	Net Book Value	Net Book Value %	Number of Lessees	Net Book Value	Net Book Value %	Number of Lessees	Net Book Value	Net Book Value %	Number of Lessees
India	\$ 756,514	11%	3	\$ 917,793	12%	4	\$ 924,190	12%	4

At February 28, 2021, February 29, 2020 and December 31, 2019, the amounts of lease incentive liabilities recorded in maintenance payments on the Consolidated Balance Sheets were \$14,673, \$10,076 and \$9,176, respectively.

Note 4. Net Investment in Direct Financing and Sales-Type Leases

At February 28, 2021, February 29, 2020 and December 31, 2019, our net investment in leases consisted of fifteen, 30 and 29 aircraft, respectively. The components of our net investment in leases at February 28, 2021, February 29, 2020 and December 31, 2019, were as follows:

	February 28, 2021	February 29, 2020	December 31, 2019
Lease receivable	\$ 67,075	\$ 166,060	\$ 164,816
Unguaranteed residual value of flight equipment	129,165	266,750	254,580
Net investment leases	196,240	432,810	419,396
Allowance for credit losses	(864)	(6,558)	—
Net investment in leases, net of allowance	\$ 195,376	\$ 426,252	\$ 419,396

The activity in the allowance for credit losses related to our net investment in leases for the two months ended February 29, 2020 and the year ended February 28, 2021 is as follows:

	Amount
Balance at December 31, 2019	\$ —
Adoption of accounting standard	6,270
Provision for credit losses	288
Balance at February 29, 2020	6,558
Provision for credit losses	5,258
Write-offs	(10,952)
Balance at February 28, 2021	\$ 864

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During the year ended February 28, 2021, we wrote-off \$10,952 of lease rentals against the allowance for credit losses, primarily due to the early lease terminations of seven narrow-body aircraft which had been classified as Net investment in leases. At February 28, 2021, future lease payments on net investment in leases are as follows:

<u>Year Ending February 28/29,</u>	<u>Amount</u>
2022	\$ 23,753
2023	13,470
2024	12,568
2025	6,989
2026	6,060
Thereafter	15,414
Total lease payments to be received	78,254
Present value of lease payments - lease receivable	(67,075)
Difference between undiscounted lease payments and lease receivable	\$ 11,179

Note 5. Unconsolidated Equity Method Investment

We have a joint venture with Mizuho Leasing that has nine aircraft with a net book value of \$312,029 at February 28, 2021.

	<u>Amount</u>
Investment in joint ventures at December 31, 2019	\$ 32,974
Earnings from joint venture, net of tax	496
Investment in joint ventures at February 29, 2020	33,470
Distributions	(419)
Earnings from joint venture, net of tax	2,326
Investment in joint ventures at February 28, 2021	\$ 35,377

Note 6. Variable Interest Entities

Aircastle consolidates two VIEs (the “Air Knight VIEs”), of which it is the primary beneficiary. The operating activities of these Air Knight VIEs are limited to acquiring, owning, leasing, maintaining, operating and, under certain circumstances, selling the two aircraft discussed below.

During February 2020, we repaid the export credit agency (the “ECA Financings”) for four of the six aircraft owned by the Air Knight VIEs, which included principal and accrued interest amounts outstanding of \$95,128 and incurred early extinguishment costs of \$3,955. In June 2020, the leases of the four aircraft subject to the ECA Financings were formally terminated and the aircraft were released as security under such financings. The only assets that the Air Knight VIEs have on their books are net investments in leases that are eliminated in the consolidated financial statements. The related aircraft, with a net book value as of February 28, 2021 of \$89,320, were included in our flight equipment held for lease. The consolidated debt outstanding, net of debt issuance costs, of the Air Knight VIEs as of February 28, 2021 is \$36,058.

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Note 7. Borrowings from Secured and Unsecured Debt Financings

The outstanding amounts of our secured and unsecured term debt financings were as follows:

Debt Obligation	At February 28, 2021			Final Stated Maturity	At	At
	Outstanding Borrowings	Number of Aircraft	Interest Rate		February 29, 2020	December 31, 2019
Secured Debt Financings:						
ECA Financings ⁽¹⁾	\$ 36,423	2	3.49% to 3.96%	12/03/21 to 11/30/24	\$ 50,745	\$ 147,644
Bank Financings ⁽²⁾	738,353	31	2.31% to 4.55%	06/17/23 to 03/06/25	971,693	993,593
Less: Debt Issuance Costs	(5,926)				(9,920)	(11,892)
Total secured debt financings, net of debt issuance costs and discounts	<u>768,850</u>	<u>33</u>			<u>1,012,518</u>	<u>1,129,345</u>
Unsecured Debt Financings:						
Senior Notes due 2020 ⁽³⁾	—		7.625%	04/15/20	300,000	300,000
Senior Notes due 2021 ⁽⁴⁾	—		5.125%	03/15/21	500,000	500,000
Senior Notes due 2022	500,000		5.500%	02/15/22	500,000	500,000
Senior 5.00% Notes due 2023	500,000		5.000%	04/01/23	500,000	500,000
Senior 4.40% Notes due 2023	650,000		4.400%	09/25/23	650,000	650,000
Senior Notes due 2024	500,000		4.125%	05/01/24	500,000	500,000
Senior Notes due 2025	650,000		5.250%	08/11/25	—	—
Senior Notes due 2026	650,000		4.250%	06/15/26	650,000	650,000
Senior Notes due 2028	750,000		2.850%	01/26/28	—	—
Unsecured Term Loan	215,000		1.683%	03/07/22 to 03/07/24	215,000	215,000
Revolving Credit Facilities	—		1.25% to 2.00%	7/30/21 to 06/27/22	100,000	150,000
Less: Debt issuance costs and discounts	(48,739)				(30,765)	(32,509)
Total unsecured debt financings, net of debt issuance costs and discounts	<u>4,366,261</u>				<u>3,884,235</u>	<u>3,932,491</u>
Total secured and unsecured debt financings, net of debt issuance costs and discounts	<u>\$ 5,135,111</u>				<u>\$ 4,896,753</u>	<u>\$ 5,061,836</u>

(1) The borrowings under these financings at February 28, 2021 have a weighted-average rate of interest of 3.58%. During February 2020, the Company repaid the ECA Financings for four aircraft owned by the Air Knight VIEs, which were released as security for such financings during the second quarter of 2020 – see Note 6.

(2) The borrowings under these financings at February 28, 2021 have a weighted-average fixed rate of interest of 3.24%.

(3) Repaid on April 15, 2020.

(4) Repaid on February 25, 2021.

Secured Debt Financings:

Bank Financings

During the fourth quarter of 2021, we prepaid bank financings secured by three wide-body aircraft, which included principal amounts outstanding of \$145,934 and incurred early extinguishment costs of \$1,148, primarily related to the write-off of deferred financing costs.

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Unsecured Debt Financings:

Senior Notes due 2020

On April 15, 2020, the Company repaid \$300,000 aggregate principal amount of 7.625% Senior Notes due 2020 due at their final stated maturity date.

Senior Notes due 2025

On August 11, 2020, the Company issued \$650,000 aggregate principal amount of Senior Notes due 2025 (the “Senior Notes due 2025”) at an issue price of 99.057%. The Senior Notes due 2025 will mature on August 11, 2025 and bear interest at a rate of 5.25% per annum, payable semi-annually on February 11 and August 11 of each year, commencing on February 11, 2021. Interest accrues on the Senior Notes due 2025 from August 11, 2020.

Senior Notes due 2028 and 2021

On January 26, 2021, the Company issued \$750,000 aggregate principal amount of Senior Notes due 2028 (the “Senior Notes due 2028”) at an issue price of 98.543%. The Senior Notes due 2028 will mature on January 26, 2028 and bear interest at a rate of 2.85% per annum, payable semi-annually on January 26 and July 26 of each year, commencing on July 26, 2021. Interest accrues on the Senior Notes due 2028 from January 26, 2021. The net proceeds from the issuance were used to redeem the balance of our 5.125% Senior Notes due 2021, including accrued interest of \$11,389 and call premium of \$1,265, on February 25, 2021.

Revolving Credit Facility

On July 30, 2020, the Company entered into a \$150,000 unsecured revolving credit facility with Mizuho Bank Ltd., a related party. The facility bears interest at a rate of LIBOR plus 2%, or a base rate plus 1%, matures on July 31, 2021 and includes a one-year extension option. This transaction was approved by our Audit Committee as an arm’s length transaction under our related party policy.

As of February 28, 2021, we had no borrowings outstanding under our revolving credit facilities and had \$1,250,000 available.

Maturities of the secured and unsecured debt financings over the next five years and thereafter are as follows:

<u>Year Ending February 28/29,</u>	<u>Amount</u>
2022	\$ 646,943
2023	81,611
2024	1,532,697
2025	800,859
2026	727,666
Thereafter	1,400,000
Total	\$ 5,189,776

As of February 28, 2021, we were in compliance with all applicable covenants in our financings.

Note 8. Shareholders’ Equity and Share-Based Payment

On March 27, 2020 (the “Merger Date”), the total authorized share capital of the Company was \$3,000, comprised of 250,000,000 common shares of \$0.01 each and 50,000,000 preference shares of \$0.01 each, and the issued share capital of the Company was comprised of 14,048 common shares of \$0.01 each.

In December 2019, the Company accelerated the vesting of certain restricted common share awards and the vesting and payment of certain Performance Share Units (“PSUs”) held by the Company’s executive officers, initially granted under the Aircastle Limited Amended and Restated 2014 Omnibus Incentive Plan. Share-based compensation expense of

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\$914 related to restricted common shares and \$4,247 related to PSUs represents the cost of this accelerated vesting from March 1, 2020 through the Merger Date.

As per the Agreement and Plan of Merger, dated as of November 5, 2019 (the “Merger Agreement”), on the Merger Date, the Company paid \$4,063 and \$21,473 representing the payment for 126,971 unvested restricted common shares and 671,030 unvested PSUs, respectively. Concurrently, the Company received \$25,536 from MM Air Limited, which was recorded as an additional paid-in-capital as of the Merger Date.

Included in share-based compensation expense for the year ended February 28, 2021 is \$3,921 and \$18,967 related to remaining outstanding restricted common shares and remaining outstanding PSUs, respectively, that were accelerated and paid out (in the case of PSUs, at the maximum level of performance) in accordance with the Merger Agreement.

On February 13, 2020, the Company declared a dividend of \$0.32 per common share and paid \$24,025 on March 6, 2020, to all shareholders of record as of February 28, 2020.

Note 9. Related Party Transactions

On April 10, 2020, we sold two engines to Magellan Aviation Group LLLP, an affiliate of Marubeni, for \$5,355 for a minimal gain. This transaction was approved by our Audit Committee as an arm’s length transaction under our related party policy.

On July 30, 2020, the Company entered into a \$150,000 unsecured revolving credit facility with Mizuho Bank Ltd., a related party – see Note 7 for additional information.

On February 24, 2021, the Company entered into an intra-company service agreement with Marubeni, whereby Marubeni will provide management services, strategy consultancy, and general administrative support to the Company for an annual fee of \$1,680.

Note 10. Income Taxes

Income taxes have been provided for based upon the tax laws and rates in countries in which our operations are conducted and income is earned. The Company received an assurance from the Bermuda Minister of Finance that it would be exempted from local income, withholding and capital gains taxes until March 2035. Consequently, the provision for income taxes relates to income earned by certain subsidiaries of the Company which are located in, or earn income in, jurisdictions that impose income taxes, primarily the United States and Ireland.

The sources of income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investment for the year ended February 28, 2021, the two months ended February 29, 2020, and the years ended December 31, 2019 and 2018, were as follows:

	Year Ended February 28, 2021	Two Months Ended February 29, 2020	Year Ended December 31,	
			2019	2018
U.S. operations	\$ 31,848	\$ 3,084	\$ 9,085	\$ 8,104
Non-U.S. operations	(357,106)	1,754	166,055	253,543
Income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investment	<u>\$ (325,258)</u>	<u>\$ 4,838</u>	<u>\$ 175,140</u>	<u>\$ 261,647</u>

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The components of the income tax provision from continuing operations for the year ended February 28, 2021, the two months ended February 29, 2020, and the years ended December 31, 2019 and 2018, consisted of the following:

	Year Ended February 28, 2021	Two Months Ended February 29, 2020	Year Ended December 31,	
			2019	2018
Current:				
United States:				
Federal	\$ (1,232)	\$ 6	\$ 782	\$ 2,446
State	121	—	437	(136)
Non-U.S.	4,842	217	1,225	3,828
Current income tax provision	<u>3,731</u>	<u>223</u>	<u>2,444</u>	<u>6,138</u>
Deferred:				
United States:				
Federal	3,150	1,578	7,205	2,901
State	1,598	561	2,018	759
Non-U.S.	1,757	(687)	11,000	(4,156)
Deferred income tax provision (benefit)	<u>6,505</u>	<u>1,452</u>	<u>20,223</u>	<u>(496)</u>
Total	<u>\$ 10,236</u>	<u>\$ 1,675</u>	<u>\$ 22,667</u>	<u>\$ 5,642</u>

Significant components of the Company's deferred tax assets and liabilities at February 28, 2021, February 29, 2020, and December 31, 2019 and 2018, consisted of the following:

	Year Ended February 28, 2021	Two Months Ended February 29, 2020	Year Ended December 31,	
			2019	2018
Deferred tax assets:				
Non-cash share-based payments	\$ —	\$ 215	\$ 614	\$ 2,182
Net operating loss carry forwards	95,462	74,045	69,806	48,660
Other	37,612	54,259	72,732	1,795
Total deferred tax assets	<u>133,074</u>	<u>128,519</u>	<u>143,152</u>	<u>52,637</u>
Deferred tax liabilities:				
Accelerated depreciation	(170,382)	(140,363)	(136,268)	(95,107)
Other	(37,179)	(53,448)	(70,551)	(338)
Total deferred tax liabilities	<u>(207,561)</u>	<u>(193,811)</u>	<u>(206,819)</u>	<u>(95,445)</u>
Net deferred tax liabilities	<u>\$ (74,487)</u>	<u>\$ (65,292)</u>	<u>\$ (63,667)</u>	<u>\$ (42,808)</u>

The Company had \$86,365 of federal net operating loss ("NOL") carry forwards available at February 28, 2021 to offset future taxable income subject to U.S. graduated tax rates. If not utilized, \$45,821 of these carry forwards will expire by 2037, with \$40,544 of these carry forwards having no expiration date. The Company also had NOL carry forwards of \$567,657 with no expiration date to offset future Irish taxable income. Deferred tax assets and liabilities are included in Other assets and Accounts payable and accrued liabilities, respectively.

We do not expect to incur income taxes on future distributions of undistributed earnings of non-U.S. subsidiaries and accordingly, no deferred income taxes have been provided for the distributions of such earnings. As of February 28, 2021, we have elected to permanently reinvest our accumulated undistributed U.S. earnings of \$36,503. Accordingly, no U.S. withholding taxes have been provided. Withholding tax of \$1,825 would be due if such earnings were remitted.

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Our aircraft-owning subsidiaries that are recognized as corporations for U.S. tax purposes are primarily non-U.S. corporations. These subsidiaries generally earn income from sources outside the United States and typically are not subject to U.S. federal, state or local income taxes. The aircraft owning subsidiaries resident in Ireland, Mauritius and the U.S. are subject to tax in those respective jurisdictions.

We have a U.S.-based subsidiary which provides management services to our subsidiaries and is subject to U.S. federal, state and local income taxes. We also have Ireland and Singapore based subsidiaries which provide management services to our non-U.S. subsidiaries and are subject to tax in those respective jurisdictions.

Differences between statutory income tax rates and our effective income tax rates applied to pre-tax income from continuing operations for the year ended February 28, 2021, the two months ended February 29, 2020, and the years ended December 31, 2019 and 2018, consisted of the following:

	Year Ended February 28, 2021	Two Months Ended February 29, 2020	Year Ended December 31,	
			2019	2018
Notional U.S. federal income tax expense at the statutory rate:	\$ (68,304)	\$ 1,016	\$ 36,779	\$ 54,946
U.S. state and local income tax, net	1,723	390	1,549	525
Non-U.S. operations:				
Bermuda	82,190	(1,845)	(16,950)	(41,064)
Ireland	1,545	(1,147)	(99)	(2,567)
Singapore	75	(6)	(28)	(3,232)
Other low tax jurisdictions	(381)	2,533	(2,504)	(3,246)
Non-deductible expenses in the U.S.	(1,904)	734	3,581	157
Other	(4,708)	—	339	123
Provision for income taxes	<u>\$ 10,236</u>	<u>\$ 1,675</u>	<u>\$ 22,667</u>	<u>\$ 5,642</u>

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. We did not have any unrecognized tax benefits.

We conduct business globally and, as a result, the Company and its subsidiaries or branches are subject to foreign, U.S. federal and various state and local income taxes, as well as withholding taxes. In the normal course of business the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Ireland and the United States.

Our policy is that we will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. We did not accrue interest or penalties associated with any unrecognized tax benefits, nor was any interest expense or penalty recognized during the year.

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Note 11. Interest, Net

The following table shows the components of interest, net for the year ended February 28, 2021, the two months ended February 29, 2020, and the years ended December 31, 2019 and 2018:

	Year Ended February 28, 2021	Two Months Ended February 29, 2020	Year Ended December 31,	
			2019	2018
Interest on borrowings, net settlements on interest rate derivatives, and other liabilities	\$ 221,246	\$ 38,915	\$ 245,673	\$ 221,987
Amortization of deferred losses related to interest rate derivatives	—	—	184	1,166
Amortization of deferred financing fees and debt discount	14,791	2,446	14,578	14,627
Interest expense	236,037	41,361	260,435	237,780
Less: Interest income	(523)	(323)	(2,365)	(2,943)
Less: Capitalized interest	(176)	—	—	(333)
Interest, net	<u>\$ 235,338</u>	<u>\$ 41,038</u>	<u>\$ 258,070</u>	<u>\$ 234,504</u>

Note 12. Commitments and Contingencies

Rent expense, primarily for the corporate office and sales and marketing facilities, was \$1,626, \$278, \$1,601 and \$2,865 for the year ended February 28, 2021, the two months ended February 29, 2020, and the years ended December 31, 2019 and 2018, respectively.

As of February 28, 2021, Aircastle is obligated under non-cancelable operating leases relating principally to office facilities in Stamford, Connecticut; Dublin, Ireland; and Singapore for future minimum lease payments as follows:

<u>Year Ending February 28/29,</u>	<u>Amount</u>
2022	\$ 1,928
2023	1,787
2024	1,719
2025	1,750
2026	1,781
Thereafter	4,063
Total	<u>\$ 13,028</u>

At February 28, 2021, we had commitments to acquire 25 new E-Jet E2 aircraft from Embraer S.A. for \$825,119.

Remaining commitments, including \$101,933 of progress payments, contractual price escalations and other adjustments for these aircraft at February 28, 2021, net of amounts already paid, are as follows:

<u>Year Ending February 28/29,</u>	<u>Amount</u>
2022	\$ 199,990
2023	347,979
2024	125,825
2025	39,404
2026	111,921
Thereafter	—
Total	<u>\$ 825,119</u>

As of April 15, 2021, we have commitments to acquire 25 aircraft for \$825,119.

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Note 13. Other Assets

The following table describes the principal components of Other assets on our Consolidated Balance Sheets as of:

	February 28, 2021	February 29, 2020	December 31, 2019
Deferred income tax asset	\$ 637	\$ 636	\$ 1,007
Lease incentives and premiums, net of accumulated amortization of \$75,126, \$63,010 and \$71,851, respectively	75,169	103,161	112,923
Flight equipment held for sale	53,289	13,083	333
Aircraft purchase deposits and Embraer E-2 progress payments	52,092	39,038	33,754
Right-of-use asset ⁽¹⁾	8,056	9,148	9,329
Deferred rent receivable	69,103	4,494	—
Other assets	53,598	37,057	43,863
Total other assets	\$ 311,944	\$ 206,617	\$ 201,209

(1) Net of lease incentives and tenant allowances.

Note 14. Accounts Payable, Accrued Expenses and Other Liabilities

The following table describes the principal components of Accounts payable, accrued expenses and other liabilities recorded on our Consolidated Balance Sheets as of:

	February 28, 2021	February 29, 2020	December 31, 2019
Accounts payable and accrued expenses	\$ 43,088	\$ 64,034	\$ 47,228
Deferred income tax liability	75,124	65,928	64,674
Accrued interest payable	43,676	62,196	44,694
Lease liability	11,003	12,510	12,800
Lease discounts, net of accumulated amortization of \$44,887, \$44,968 and \$44,696, respectively	1,376	2,446	2,718
Total accounts payable, accrued expenses and other liabilities	\$ 174,267	\$ 207,114	\$ 172,114

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, Aircastle Limited has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 21, 2021

Aircastle Limited

By: /s/ Michael Inglese
Michael Inglese
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Aircastle Limited and in the capacities and on the date indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Michael Inglese</u> Michael Inglese	Chief Executive Officer and Director	April 21, 2021
<u>/s/ Aaron Dahlke</u> Aaron Dahlke	Chief Financial Officer	April 21, 2021
<u>/s/ James C. Connelly</u> James C. Connelly	Chief Accounting Officer	April 21, 2021
<u>/s/ Takashi Kurihara</u> Takashi Kurihara	Chairman of the Board	April 21, 2021
<u>/s/ Douglas A. Hacker</u> Douglas A. Hacker	Director	April 21, 2021
<u>/s/ Taro Kawabe</u> Taro Kawabe	Director	April 21, 2021
<u>/s/ Charles W. Pollard</u> Charles W. Pollard	Director	April 21, 2021
<u>/s/ Takayuki Sakakida</u> Takayuki Sakakida	Director	April 21, 2021
<u>/s/ Noriyuki Yukawa</u> Noriyuki Yukawa	Director	April 21, 2021

Subsidiaries of Aircastle Limited
As of February 28, 2021

	<u>Name of Subsidiary</u>	<u>Jurisdiction</u>
1.	ACS 2007-1 Limited	Bermuda
2.	ACS 2008-1 Limited	Bermuda
3.	ACS 2016 Funding (Bermuda) Limited	Bermuda
4.	ACS 2016 Funding (Ireland) Limited	Ireland
5.	ACS Aircraft Finance Ireland 2 Limited	Ireland
6.	ACS Aircraft Finance Ireland 3 Limited	Ireland
7.	AHCL Two Limited	Bermuda
8.	AYR Bermuda Limited	Bermuda
9.	AYR Delaware LLC	Delaware
10.	AYR Freighter LLC	Delaware
11.	AYR Ireland Holdco Limited	Ireland
12.	Aircastle Advisor Asia Pacific Limited	Bermuda
13.	Aircastle Advisor (International) Limited	Bermuda
14.	Aircastle Advisor (Ireland) Limited	Ireland
15.	Aircastle Aviation US LLC	Delaware
16.	Aircastle Aviation US Two LLC	Delaware
17.	Aircastle Advisor LLC	Delaware
18.	Aircastle Bermuda Securities Limited	Bermuda
19.	Aircastle Funding (Ireland) Designated Activity Company	Ireland
20.	Aircastle Holding Corporation Limited	Bermuda
21.	Aircastle Investment Holdings 2 Limited	Bermuda
22.	Aircastle Investment Holdings 3 Limited	Bermuda
23.	Aircastle Singapore Pte. Limited	Singapore
24.	Aircraft MSN EMB 1 LLC	Delaware
25.	Aircraft MSN EMB 2 LLC	Delaware
26.	Aircraft MSN EMB 3 LLC	Delaware
27.	Aircraft MSN EMB 4 LLC	Delaware
28.	Aircraft MSN EMB 5 LLC	Delaware
29.	Aircraft MSN EMB 6 LLC	Delaware
30.	Aircraft MSN EMB 7 LLC	Delaware
31.	Aircraft MSN EMB 8 LLC	Delaware
32.	Aircraft MSN EMB 9 LLC	Delaware
33.	Aircraft MSN EMB 10 LLC	Delaware
34.	Aircraft MSN EMB 11 LLC	Delaware
35.	Aircraft MSN EMB 12 LLC	Delaware
36.	Aircraft MSN EMB 13 LLC	Delaware
37.	Aircraft MSN EMB 14 LLC	Delaware
38.	Aircraft MSN EMB 15 LLC	Delaware
39.	Aircraft MSN 997 LLC	Delaware
40.	Aircraft MSN 1006 LLC	Delaware
41.	Aircraft MSN 1012 LLC	Delaware
42.	Aircraft MSN 1055 LLC	Delaware
43.	Aircraft MSN 1132 LLC	Delaware
44.	Aircraft MSN 1162 LLC	Delaware
45.	Aircraft MSN 1177 LLC	Delaware
46.	Aircraft MSN 1179 LLC	Delaware
47.	Aircraft MSN 1244 LLC	Delaware
48.	Aircraft MSN 1258 LLC	Delaware
49.	Aircraft MSN 1259 LLC	Delaware
50.	Aircraft MSN 1261 LLC	Delaware
51.	Aircraft MSN 1279 LLC	Delaware
52.	Aircraft MSN 1295 LLC	Delaware
53.	Aircraft MSN 1308 LLC	Delaware

	Name of Subsidiary	Jurisdiction
54.	Aircraft MSN 1322 LLC	Delaware
55.	Aircraft MSN 1329 LLC	Delaware
56.	Aircraft MSN 1364 LLC	Delaware
57.	Aircraft MSN 1411 LLC	Delaware
58.	Aircraft MSN 1466 LLC	Delaware
59.	Aircraft MSN 1481 LLC	Delaware
60.	Aircraft MSN 1513 LLC	Delaware
61.	Aircraft MSN 1572 LLC	Delaware
62.	Aircraft MSN 1655 LLC	Delaware
63.	Aircraft MSN 1674 LLC	Delaware
64.	Aircraft MSN 1673 LLC	Delaware
65.	Aircraft MSN 1742 LLC	Delaware
66.	Aircraft MSN 1780 LLC	Delaware
67.	Aircraft MSN 1836 LLC	Delaware
68.	Aircraft MSN 1989 LLC	Delaware
69.	Aircraft MSN 1913 LLC	Delaware
70.	Aircraft MSN 2002 LLC	Delaware
71.	Aircraft MSN 2004 LLC	Delaware
72.	Aircraft MSN 2098 LLC	Delaware
73.	Aircraft MSN 2104 LLC	Delaware
74.	Aircraft MSN 2220 LLC	Delaware
75.	Aircraft MSN 2248 LLC	Delaware
76.	Aircraft MSN 2254 LLC	Delaware
77.	Aircraft MSN 2310 LLC	Delaware
78.	Aircraft MSN 2357 LLC	Delaware
79.	Aircraft MSN 2381 LLC	Delaware
80.	Aircraft MSN 2391 LLC	Delaware
81.	Aircraft MSN 2401 LLC	Delaware
82.	Aircraft MSN 2472 LLC	Delaware
83.	Aircraft MSN 2488 LLC	Delaware
84.	Aircraft MSN 2495 LLC	Delaware
85.	Aircraft MSN 2563 LLC	Delaware
86.	Aircraft MSN 2565 LLC	Delaware
87.	Aircraft MSN 2578 LLC	Delaware
88.	Aircraft MSN 2605 LLC	Delaware
89.	Aircraft MSN 2636 LLC	Delaware
90.	Aircraft MSN 2646 LLC	Delaware
91.	Aircraft MSN 2677 LLC	Delaware
92.	Aircraft MSN 2691 LLC	Delaware
93.	Aircraft MSN 2715 LLC	Delaware
94.	Aircraft MSN 2742 LLC	Delaware
95.	Aircraft MSN 2744 LLC	Delaware
96.	Aircraft MSN 2754 LLC	Delaware
97.	Aircraft MSN 2756 LLC	Delaware
98.	Aircraft MSN 2765 LLC	Delaware
99.	Aircraft MSN 2769 LLC	Delaware
100.	Aircraft MSN 2777 LLC	Delaware
101.	Aircraft MSN 2779 LLC	Delaware
102.	Aircraft MSN 2782 LLC	Delaware
103.	Aircraft MSN 2792 LLC	Delaware
104.	Aircraft MSN 2795 LLC	Delaware
105.	Aircraft MSN 2803 LLC	Delaware
106.	Aircraft MSN 2818 LLC	Delaware
107.	Aircraft MSN 2822 LLC	Delaware
108.	Aircraft MSN 2928 LLC	Delaware
109.	Aircraft MSN 2956 LLC	Delaware
110.	Aircraft MSN 3045 LLC	Delaware

	Name of Subsidiary	Jurisdiction
111.	Aircraft MSN 3117 LLC	Delaware
112.	Aircraft MSN 3157 LLC	Delaware
113.	Aircraft MSN 3182 LLC	Delaware
114.	Aircraft MSN 3209 LLC	Delaware
115.	Aircraft MSN 3277 LLC	Delaware
116.	Aircraft MSN 3223 LLC	Delaware
117.	Aircraft MSN 3291 LLC	Delaware
118.	Aircraft MSN 3338 LLC	Delaware
119.	Aircraft MSN 3421 LLC	Delaware
120.	Aircraft MSN 3443 LLC	Delaware
121.	Aircraft MSN 3450 LLC	Delaware
122.	Aircraft MSN 3486 LLC	Delaware
123.	Aircraft MSN 3524 LLC	Delaware
124.	Aircraft MSN 3543 LLC	Delaware
125.	Aircraft MSN 3582 LLC	Delaware
126.	Aircraft MSN 3628 LLC	Delaware
127.	Aircraft MSN 3637 LLC	Delaware
128.	Aircraft MSN 3667 LLC	Delaware
129.	Aircraft MSN 3673 LLC	Delaware
130.	Aircraft MSN 3690 LLC	Delaware
131.	Aircraft MSN 3762 LLC	Delaware
132.	Aircraft MSN 3911 LLC	Delaware
133.	Aircraft MSN 4070 LLC	Delaware
134.	Aircraft MSN 4077 LLC	Delaware
135.	Aircraft MSN 4088 LLC	Delaware
136.	Aircraft MSN 4968 LLC	Delaware
137.	Aircraft MSN 5010 LLC	Delaware
138.	Aircraft MSN 5127 LLC	Delaware
139.	Aircraft MSN 5598 LLC	Delaware
140.	Aircraft MSN 5796 LLC	Delaware
141.	Aircraft MSN 6077 LLC	Delaware
142.	Aircraft MSN 6201 LLC	Delaware
143.	Aircraft MSN 6253 LLC	Delaware
144.	Aircraft MSN 7160 LLC	Delaware
145.	Aircraft MSN 7316 LLC	Delaware
146.	Aircraft MSN 7791 LLC	Delaware
147.	Aircraft MSN 25702-2 LLC	Delaware
148.	Aircraft MSN 27137 LLC	Delaware
149.	Aircraft MSN 28623 LLC	Delaware
150.	Aircraft MSN 29345 LLC	Delaware
151.	Aircraft MSN 29346 LLC	Delaware
152.	Aircraft MSN 29356 LLC	Delaware
153.	Aircraft MSN 29918 LLC	Delaware
154.	Aircraft MSN 29920 LLC	Delaware
155.	Aircraft MSN 30295 LLC	Delaware
156.	Aircraft MSN 30687 LLC	Delaware
157.	Aircraft MSN 30702 LLC	Delaware
158.	Aircraft MSN 30710 LLC	Delaware
159.	Aircraft MSN 32457 LLC	Delaware
160.	Aircraft MSN 32704 LLC	Delaware
161.	Aircraft MSN 32705 LLC	Delaware
162.	Aircraft MSN 33030 LLC	Delaware
163.	Aircraft MSN 33212 LLC	Delaware
164.	Aircraft MSN 33380 LLC	Delaware
165.	Aircraft MSN 33417 LLC	Delaware
166.	Aircraft MSN 34409 LLC	Delaware
167.	Aircraft MSN 35022 LLC	Delaware

	Name of Subsidiary	Jurisdiction
168.	Aircraft MSN 35082 LLC	Delaware
169.	Aircraft MSN 35093 LLC	Delaware
170.	Aircraft MSN 35233 LLC	Delaware
171.	Aircraft MSN 35236 LLC	Delaware
172.	Aircraft MSN 35237 LLC	Delaware
173.	Aircraft MSN 35679 LLC	Delaware
174.	Aircraft MSN 35680 LLC	Delaware
175.	Aircraft MSN 36826 LLC	Delaware
176.	Aircraft MSN 36829 LLC	Delaware
177.	Aircraft MSN 36808 LLC	Delaware
178.	Aircraft MSN 36821 LLC	Delaware
179.	Aircraft MSN 37294 LLC	Delaware
180.	Aircraft MSN 37742 LLC	Delaware
181.	Aircraft MSN 37887 LLC	Delaware
182.	Aircraft MSN 38019 LLC	Delaware
183.	Aircraft MSN 38494 LLC	Delaware
184.	Aircraft MSN 38683 LLC	Delaware
185.	Aircraft MSN 38686 LLC	Delaware
186.	Aircraft MSN 40713 LLC	Delaware
187.	Aircraft MSN 41522 LLC	Delaware
188.	Aircraft MSN 19000484 LLC	Delaware
189.	Aircraft MSN 19000575 LLC	Delaware
190.	Aircraft MSN 19000588 LLC	Delaware
191.	Aircraft MSN 19000609	Delaware
192.	Aircraft MSN 19000628	Delaware
193.	ALC B378 33104, LLC	Delaware
194.	ALC B378 34242, LLC	Delaware
195.	Anfield Funding Limited	Bermuda
196.	Blue Coast Aircraft Leasing (France) Sarl	France
197.	Constellation Aircraft Leasing (France) SARL	France
198.	Constitution Aircraft Leasing (Ireland) 3 Limited	Ireland
199.	Constitution Aircraft Leasing (Ireland) 5 Limited	Ireland
200.	Constitution Aircraft Leasing (Ireland) 9 Limited	Ireland
201.	Constitution Aircraft Leasing (Ireland) 10 Limited	Ireland
202.	Constitution Aircraft Leasing (Ireland) 1086 Limited	Ireland
203.	Delphie Aircraft Leasing Limited	Bermuda
204.	Dolphin Leasing (Ireland) Limited	Ireland
205.	Dunvegan Aircraft Leasing (Ireland) Limited	Ireland
206.	Endeavor Aircraft Leasing (Sweden) AB	Sweden
207.	Enterprise Aircraft Leasing (France) SARL	France
208.	Gold Coast Aircraft Leasing (France) Sarl	France
209.	Grayston Aircraft Leasing Limited	Cayman Islands
210.	Haneda Aircraft Leasing (Norway) AS	Norway
211.	Intrepid Aircraft Leasing (France) SARL	France
212.	Jakarta Aircraft Leasing (Ireland) Limited	Ireland
213.	Kale Aircraft Leasing (Ireland) Limited	Ireland
214.	Klaatu Aircraft Leasing (Ireland) Limited	Ireland
215.	Koala Aircraft Leasing (Ireland) Limited	Ireland
216.	Macleod Aircraft Leasing (Labuan) Limited	Labuan
217.	Macstay Aircraft Leasing Limited	Bermuda
218.	Marrow Aircraft Leasing (Ireland) Limited	Ireland
219.	Medan Aircraft Leasing (Ireland) Limited	Ireland
220.	Melbourne Aircraft Leasing (UK) Limited	United Kingdom
221.	Merdeka Aircraft Leasing (Labuan) Limited	Labuan
222.	Momo Aircraft Leasing Limited	Bermuda
223.	Orchard Aviation (A330) Pte. Ltd.	Singapore
224.	Orchard Aviation 41522 (UK) Limited	United Kingdom

	<u>Name of Subsidiary</u>	<u>Jurisdiction</u>
225.	Perdana Aircraft Leasing (Labuan) Limited	Labuan
226.	Platypus Aircraft Leasing (Ireland) Limited	Ireland
227.	Salmon Aircraft Leasing (Ireland) Limited	Ireland
228.	Sulaco Aircraft Leasing (Ireland) Limited	Ireland
229.	Tempelhof Aircraft Leasing (Ireland) Limited	Ireland
230.	Thunderbird 1 Leasing Limited	Mauritius
231.	Thunderbird 2 Leasing Limited	Mauritius
232.	Thunderbird 3 Leasing Limited	Mauritius
233.	Thunderbird 4 Leasing Limited	Mauritius
234.	Trojan Aircraft Leasing (France) SARL	France
235.	Zebra Aircraft Leasing Limited	Cayman Islands
236.	Zephyr Aircraft Leasing B.V.	The Netherlands

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Inglese, certify that:

1. I have reviewed this annual report on Form 10-K of Aircastle Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 21, 2021

/s/ Michael Inglese
Michael Inglese
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aaron Dahlke, certify that:

1. I have reviewed this annual report on Form 10-K of Aircastle Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 21, 2021

/s/ Aaron Dahlke
Aaron Dahlke
Chief Financial Officer

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Aircastle Limited (the "Company") for the fiscal year ended February 28, 2021, as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, Michael Inglese, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ Michael Inglese
Michael Inglese
Chief Executive Officer
Date: April 21, 2021

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Aircastle Limited (the “Company”) for the fiscal year ended February 28, 2021, as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), I, Aaron Dahlke, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ Aaron Dahlke
Aaron Dahlke
Chief Financial Officer
Date: April 21, 2021